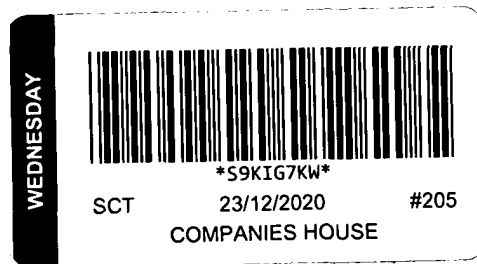


Company Registration No. SC005863 (Scotland)

HEART OF MIDLOTHIAN PLC
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020



COMPANIES HOUSE

23 DEC 2020

EDINBURGH MAILBOX

HEART OF MIDLOTHIAN PLC

COMPANY INFORMATION

Directors	Dr A Budge Dr T Hogg D Cumming J Duncan S Wallace K D Windram Mr A J McKinlay	(Appointed 17 August 2020)
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Secretary	J Duncan
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Company number	SC005863
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Registered office	Collins House Rutland Square Edinburgh EH1 2AA
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Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE
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Business address	Tynecastle Park Gorgie Road Edinburgh EH11 2NL
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HEART OF MIDLOTHIAN PLC

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HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present the strategic report for the year ended 30 June 2020.

Fair Review of the Business

The unprecedented challenges that the world at large has faced during 2020, in the wake of the Coronavirus pandemic taking hold, have been well-documented. For us, Covid-19 brought the 2019/20 football season and all of our other business streams to an immediate halt early in March, 2020. Clearly, this has negatively impacted our 2019/20 financial results.

The Club took swift and decisive action at the onset of the virus. This action, coupled with the unwavering support of our staff, our fans, our sponsors and our benefactors helped us through one of our most difficult periods in recent times. We have every confidence that with this continued support, despite all of the uncertainties facing us, the future of our Club remains secure.

Financial year 2019/20 saw us cope not just with the direct impact of the pandemic, but also with the consequences of the "end the season" decision taken by the SPFL Board and its Member Clubs. This allowed the season to be ended early and in such a manner as to see fellow member clubs relegated, despite the season not having been completed. In so doing, further financial burdens have been placed on ourselves and the other affected clubs.

Faced with this enforced expulsion from the Premier League and the consequential financial implications, the Board sought, unsuccessfully, to have the decision over-turned on the grounds of Unfair Prejudice, initially in the Court of Session and subsequently, via the SFA Arbitration process. While the chance of success was always recognised as low, the Board was unwilling to allow what we, and indeed many others, perceived as a grave and unnecessary injustice, to go unchallenged. This action came at a cost, as shown in the accounts. However, we firmly believe that not to have raised this challenge would have cost the Club far more, in terms of supporter loyalty and our all-important reputation as Champions for openness, fairness, honesty and integrity.

A very difficult year is now behind us. Before Covid-19 struck we were on course for another strong financial performance, showing year-on-year growth, despite a poor first half to the season on the football front. The year was shaping up to be one of change and of continued investment in the football operation.

The first half year saw a change of first team manager, when Daniel Stendel was appointed. Early results were promising and his attacking style of play was being very well received by supporters and players alike. However, Daniel was here for less than 3 months when football was suspended. Daniel's contract was built around Premier League football and his contract ended when we were expelled from that League. This meant that the second half year, again, saw a change of manager with Robbie Neilson returning to Tynecastle in June 2020.

While neither of these appointments were envisaged at the start of the season, we are immensely grateful to both Daniel and Robbie for their commitment in joining Hearts during a very difficult period.

Our plan for the second half year was to significantly strengthen both the football operation and the Board, with a view to further growing and developing the Club. As well as bringing in some new players in the January transfer window, we also recruited a new Head of Performance. Only 6 weeks later, all Scottish football was suspended. Plans to appoint a new Chief Executive to the Board and to appoint a new Sporting Director had to be put on hold as we dealt with lock-down and the impact of Covid-19. While this put our plans back a little, we welcomed our new Chief Executive, Andrew McKinlay to the Board, in August 2020. This investment in key staff is continuing, notwithstanding the financial pressures we are under.

Despite the uncertainties from March onwards, we remained totally committed to our Academy, our Youth Development programmes and to our Women's football programme. One highlight in an otherwise difficult year was to see our Women's team win their Division and achieve promotion to the top league. We congratulate them on their achievement.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Fair Review of the Business (Continued)

Our revenue, unsurprisingly, is down across all areas of the business, resulting in a drop from last year of circa £2.5 million. Being unable to play football meant a drop not just in ticket and sponsorship income but in all associated match day revenue sources, including kiosk income, bar takings and all areas of hospitality. When the situation moved to full business lock-down, all other non-match day income streams were also affected. Our conference and events business came to a stop, our restaurant and supporters bar were closed and our retail operation had to move to on-line only.

We also lost out on the financial benefit from one of our major triumphs of the year, namely reaching the semi-final of the Scottish Cup where we would play our biggest rival at Hampden. Normally, this would have meant a great day out for the fans and generated around £1 million in income for the club. Instead, it was postponed indefinitely. It was eventually played out in front of empty stands at Hampden Park on October 31st. While it was a great win and we now have a Final to look forward to on December 20th, with no fans allowed, this income stream has been lost forever!

Having said all of this, our results would have been significantly worse had it not been for our magnificent fans, staff and benefactors.

Despite all the uncertainty and individual hardship, our supporters once again backed the Club in their thousands. We cannot thank them enough. The numbers pledging to the Foundation of Hearts increased to a staggering 8,500, which meant the regular monthly contribution to the Club increased by more than £25,000; Season ticket renewals reached an amazing 11,500, despite not knowing when football would return or even what League we would be playing in; and fans bought our new strip in their thousands.

Those staff who were not furloughed worked tirelessly to keep the business running in every way possible, ensuring we would be ready to re-open whenever that might be and coming up with ideas for new revenue streams in an everchanging landscape of regulations. We moved our supporters bar to the Gorgie Suite to facilitate social distancing; we opened the Skyline Restaurant which rapidly became the #1 restaurant in Edinburgh on TripAdvisor; we improved our on-line ordering service for our retail operation, introducing a click-and-collect service; and we carried out all essential maintenance, including pitch maintenance, to ensure all parts of the stadium would be capable of opening, when allowed, in accordance with regulations.

Our financial results are good, given the challenges we have faced.

Financials

Given that this year's accounts effectively cover 8 months of normal trading and 12 months of costs, we are very pleased to be able to say that we have achieved more-or-less break-even over the 12 month period. As is clear from the figures, our principal benefactor, once again, made a very generous donation to help us cope with the costs associated with re-shaping the Playing Squad. Similarly, other donations, including those from Foundation of Hearts, have helped us to manage our business.

Our Turnover is down against last year by approximately £2.5million, coming in at just over £12 million. With a further quarter of normal trading, we would almost certainly have achieved the £15 million we budgeted.

Our prompt action, when Covid-19 hit, has enabled us to manage both our staff costs and our overheads. We also took full advantage of the Government's Furlough scheme as clearly shown in the Profit and Loss account. The other exceptional cost item worthy of note relates to the legal costs associated with our legal action as explained above.

The company's balance sheet at 30 June 2020 remains strong with net assets of approximately £18 million.

Our cash inflow during the year was £1.8m. This arose through the generation of £0.8m from operating activities, receipts of £0.4m from the sale of players, in particular Jake Mulraney to Atlanta United FC and additional loan monies of £1.5m. This income was offset by payments made in connection with the purchase of fixed assets and new player registrations.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Financials (Continued).

We also continued to benefit from our ongoing partnership with Save the Children and the continued support from the Foundation of Hearts. During the year, the Foundation of Hearts continued to acquire future participation rights in the senior loan between Bidco (1874) Ltd and the company to the value of £890k, bringing the total purchase of participation rights to £2.4m.

In summary, this has been a year like no other. It has been a year of significant change and of unprecedented challenges. Clearly, 2020/21 is going to be equally challenging. For the first time in the last 6 years, our Financial Plan predicts a loss. Given the huge number of uncertainties still facing all sectors, and the fact that no-one can say when our supporters, the lifeblood of our business, will be allowed back into games, it would be foolish to plan on any other basis. It is important to recognise too, that actions taken over this year and next in an effort to mitigate the problems being faced, will undoubtedly have an impact on financial year 2021/22.

That said, we are in the hugely fortunate position of having a commitment to long-term financial support from our principal benefactor and we have supporters who are second to none in supporting the club, both financially and in every way possible. This enables us to continue to plan and invest for the longer-term.

We are also on the cusp of a historic moment; the moment when we become the largest fan-owned football club in the UK. This could already have happened given that the £2.4 million senior loan to Bidco has been repaid. However, with lock-down and all of the other restrictions in place, the decision was taken to postpone the final share purchase until we can properly celebrate this great achievement. The pandemic has put plans back by approximately a year but it will be something very special to celebrate, when the time is right.

To conclude, the Board would like to express its thanks to all of our employees, players, supporters, shareholders and other associates, including sponsors, commercial and community partners, for their continued support.

We have come through a very difficult period by standing together and by continuing to do so, we will emerge stronger than ever.

Section 172(1) Statement

The directors of the company, as those of all UK companies, must act in accordance with a set of general rules. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

The likely consequences of any decisions in the long-term.

The Board is mindful that its strategic decisions can have long term implications for the business. These implications are carefully assessed on a routine basis and in particular during the annual budgeting and quarterly reforecasting exercises.

The interests of the company's employees.

The Board takes active steps to ensure that the suggestions, views, and interests of the workforce are captured and considered in our decision-making. Active hands-on management by our Executive Team, ensure appropriate feedback to the Board.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

The need to foster the company's business relationships with suppliers, customers, and others.

Suppliers – The Board seeks to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money and the required quality and service levels for our customers.

Customers – The Board acknowledges the importance of its customer base and seeks to ensure that the interests of customers are considered in key decisions. Feedback is obtained via regular meetings with supporter groups.

The impact of the company's operations on the community and the environment.

The Board understands that the company plays a vital role in the local community. Our Corporate and Social Responsibility Statement on pages 5 and 6 detail this further.

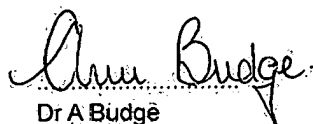
The desirability of the company maintaining a reputation for high standards of business conduct.

The Board recognises the importance of operating a robust corporate governance framework and ensures this is maintained at all times.

The need to act fairly as between shareholders of the company.

The company has just one class of share in issue and so all shareholders benefit from the same rights, as set out in the company's articles of association and the Companies Act 2006. All shareholders have an opportunity to ask questions or represent their views formally to the Board at the AGM, or with directors after the meeting.

On behalf of the board



Dr A Budge

Director

30/11/2020

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

The directors present the corporate and social responsibility statement for the year ended 30 June 2020.

Introductory Remarks

Located in one of Edinburgh's most challenged communities, characterised by significant socio-economic deprivation, Heart of Midlothian Football Club galvanises a passionate and committed fanbase to help provide significant outreach programmes to those most in need of help and support. Together with the Club's independently regulated charity, Big Hearts, the Club is committed to improving the lives of vulnerable individuals and families across north-west Edinburgh. Community engagement is embedded at all levels in the Club and is focused on tackling a wide range of social issues through 'on-pitch' and 'off-pitch' programmes.

This has been a year like no other for most of us and never, in recent times, has it been more important for communities to stick together to support the most vulnerable in our society and our local community. Focussed on promoting strong community values and on using the power of sport to provide meaningful education, employability, health, social inclusion, environmental and sport-related programmes, the Club is proud to be the focal point for support in our area.

Big Hearts Charity and Community Football

For the first 9 months of this year, it was "business as usual" for the Club and its charity in terms of our community engagement activities. Over that period, Big Hearts engaged with 2,569 individuals across its full range of support programmes. Similarly, our Community Football Department continued to expand its work in schools and the local community, through programmes designed to promote healthier lifestyles, including schools' projects, holiday courses, coach education, Walking Football for men and women over 50's and new for this year, a Walking Netball programme.

When Covid-19 hit and the lockdown began, Big Hearts responded immediately to ensure as many of its programmes as possible could continue to be delivered, albeit remotely. They put in place 3 new helplines to support a number of key programmes. One helpline provides outreach to vulnerable people in the local community, a second focuses on support for men's mental health and a third offers assistance for Kinship Carers.

Throughout this whole year, Big Hearts has continued to help those living in poverty and has dispensed 38 crisis grants and served 1,500 meals to children in its holiday hunger programme.

Similarly, while Covid-19 constraints curtailed many of the Community Football Department's activities, at the very earliest opportunity work recommenced with Under 12's to provide a vital outlet for youngsters to have fun at a time when they are experiencing so many restrictions.

On top of keeping our established offerings going, in response to the crisis, the Club formed a partnership with leading Scottish homeless charity, Social Bite. Under the leadership of Hearts' Head of Hospitality, Graeme Pacitti, and supported by staff members from across all areas of the Club, as well as a legion of Big Hearts' volunteers, an outstanding 137,800 food parcels were delivered to over 1,800 of Edinburgh's most vulnerable people during lockdown.

Heritage Department and Innovation Centre

Our Heritage Department embarked on a programme at the start of this year to digitise the Club's growing collection of artefacts and memorabilia and mid-way through the year, they unveiled a new supporters' memories exhibit in the museum. The museum was forced to close to comply with regulations. However, the department staff and volunteers have continued to oversee the care of our collection. Our Memorial Garden, too, was forced to close in March and our regular memorial services had to be cancelled. However, adhering carefully to restrictions, a schedule of limited opening times was put in place to enable supporters to continue to visit the garden to remember their loved ones during these difficult times.

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Heritage Department and Innovation Centre (Continued)

The Heart of Midlothian Innovation Centre has gone from strength to strength over the year thanks to continued sponsorship from leading Edinburgh Fund Manager, Baillie Gifford and support from Dell Technologies. Several hundred young people participated in various "digital learning clubs" at the stadium involving coding, robotics and general data skills transfer over the first 9 months of the year. With the advent of lockdown, these clubs were transitioned to be run online, thereby engaging another 300 young people in our Digital Athletes Programme (8-12 years) and in our Digital Champions club (13-18 years). Despite the constraints, new programmes were launched to support young people to develop career plans (up to 24 years). The Careers club has attracted a number of new sponsors to Tynecastle with lots of support coming from major Edinburgh businesses and academic institutions.

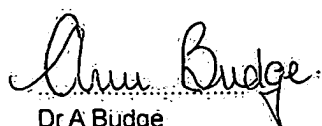
To conclude:

We are immensely proud of the achievements of our charity, Big Hearts, our Community Football Department, our Heritage Department and our Innovation Centre. We are also enormously grateful for the support of Dell Technologies who provided vital equipment and assistance in transitioning our services online.

We pay special tribute to our staff, our supporters and our volunteers who, even in these most difficult times, have enabled us to scale the reach of our programmes to make an even bigger positive impact on our community. This support has been, and will continue to be, critical as we extend our programmes to tackle some of the significant issues facing our community as a result of the pandemic.

In addition to the achievements outlined above, there are two other key areas that continue to be a source of enormous pride for the Club. The first is our unique partnership with Save the Children, which has run now for 5 seasons and will continue through to 2021. The second is our continued commitment to the Living Wage, which we implemented in 2014. We remain the only football club in Scotland that is an accredited living wage employer and we fully intend to continue our commitment to this programme during these incredibly difficult times.

On behalf of the board


Dr A Budge
Director
30/11/2020

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their report and financial statements for the year ended 30 June 2020.

Principal activities

The principal activity of the company is that of a professional football club.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr A Budge

C Levein

(Resigned 31 October 2019)

Dr T Hogg

D Cumming

J Duncan

S Wallace

K D Windram

Mr A J McKinlay

(Appointed 17 August 2020)

Results and dividends

The results for the year are set out on page 12.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

On matters affecting employees' interests, the company's policy is to consult and discuss with employees at regular communication briefings and through the annual appraisal process.

Information about matters of concern to employees is given through statements from the Chief Executive and other communication briefings. The purpose of these is to achieve a common awareness on the part of all employees of the financial and economic factors affecting company performance.

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

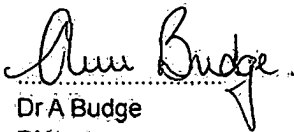
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board


Dr A Budge
Director
30/11/2020

HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

Opinion

We have audited the financial statements of Heart of Midlothian plc (the 'company') for the year ended 30 June 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.


Irvine Spowart (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

30 November 2020

7-11 Melville Street
Edinburgh
EH3 7PE

HEART OF MIDLOTHIAN PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2020

		Operations excluding player trading £000	Player trading £000	Exceptional Items £000	2020 Total £000	As Restated 2019 Total £000
	Notes					
Turnover	3	11,528	-	742	12,270	14,868
Staff costs	6	(6,918)	-	(1,858)	(8,776)	(8,220)
Other operating charges		(5,064)	-	-	(5,064)	(6,489)
Donations	9	3,733	-	-	3,733	3,449
Loan fee income		-	143	-	143	198
Profit on ordinary activities before interest, depreciation, amortisation and other exceptional items		3,279	143	(1,116)	2,306	3,806
Depreciation and other amounts written off tangible and intangible fixed assets	13, 14	(1,168)	(351)	-	(1,519)	(1,208)
Gain on sale of players' registrations	4	-	344	-	344	526
Exceptional legal costs	21	-	-	(646)	(646)	-
Profit on ordinary activities before interest	8	2,111	136	(1,762)	485	3,124
Interest payable and similar charges	11				(56)	(193)
Profit on ordinary activities before taxation					429	2,931
Taxation	12				44	2
Profit for the financial year					473	2,933

The profit and loss account has been prepared on the basis that all operations are continuing operations.

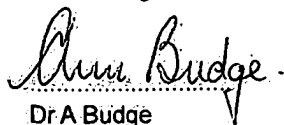
HEART OF MIDLOTHIAN PLC

BALANCE SHEET

AS AT 30 JUNE 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	13	481	495
Tangible assets	14	27,514	28,377
		<u>27,995</u>	<u>28,872</u>
Current assets			
Stocks	15	579	643
Debtors	16	610	1,420
Cash at bank and in hand		2,376	591
		<u>3,565</u>	<u>2,654</u>
Creditors: amounts falling due within one year	17	<u>(12,874)</u>	<u>(13,905)</u>
Net current liabilities		(9,309)	(11,251)
Total assets less current liabilities		<u>18,686</u>	<u>17,621</u>
Creditors: amounts falling due after more than one year	18	(90)	(144)
Provisions for liabilities	21	(646)	-
Net assets		<u>17,950</u>	<u>17,477</u>
Capital and reserves			
Called up share capital	24	15,648	15,648
Share premium account	25	11,769	11,769
Revaluation reserve	26	159	159
Other reserves	27	7,544	6,941
Profit and loss reserves		(17,170)	(17,040)
Total equity		<u>17,950</u>	<u>17,477</u>

The financial statements were approved by the board of directors and authorised for issue on 30th Nov 2020 and are signed on its behalf by:


Dr A Budge
Director

Company Registration No. SC005863

HEART OF MIDLOTHIAN PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss reserves	Total
Notes	£000	£000	£000	£000	£000	£000
Balance at 1 July 2018	15,648	11,769	159	7,131	(19,973)	14,734
Period ended 30 June 2019:						
Profit for the year	-	-	-	-	2,933	2,933
Transfer to debt	-	-	-	(190)	-	(190)
Balance at 30 June 2019	15,648	11,769	159	6,941	(17,040)	17,477
Period ended 30 June 2020:						
Profit for the year	-	-	-	-	473	473
Transfer of reserves	27	-	-	603	(603)	-
Balance at 30 June 2020	15,648	11,769	159	7,544	(17,170)	17,950

HEART OF MIDLOTHIAN PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		2020		As Restated 2019	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash generated from operations	34		763		4,452
Investing activities					
Payments to acquire player registrations		(369)		(540)	
Receipts from sale of player registrations		376		614	
Purchase of tangible fixed assets		(305)		(3,636)	
Proceeds on disposal of tangible fixed assets		-		5	
Income taxes received		44		2	
Net cash used in investing activities			(254)		(3,555)
Financing activities					
Receipt/(Repayment of) related party loan		297		(1,000)	
Funds received from Bidco (1874) Ltd		1,225		700	
Interest and arrangement fees paid		(56)		(35)	
Repayment of finance leases obligations		(190)		(170)	
Net cash generated from/(used in) financing activities			1,276		(505)
Net increase in cash and cash equivalents			1,785		392
Cash and cash equivalents at beginning of year			591		199
Cash and cash equivalents at end of year			2,376		591

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

Company information

Heart of Midlothian plc is a public company limited by shares incorporated in Scotland. The registered office is Collins House, Rutland Square, Edinburgh, EH1 2AA and its principal place of business is Tynecastle Park, Gorgie Road, Edinburgh, EH11 2NL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of certain tangible fixed assets and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;

The company has taken advantage of the exemption under section 402 of the Companies Act 2006 not to prepare consolidated accounts, as the company's only subsidiary, Tynecastle Events Limited, is dormant and its inclusion is not material for the purpose of giving a true and fair view of the group. These financial statements present information about the company as an individual entity and not about its group.

Heart of Midlothian plc is a subsidiary of Bidco (1874) Limited, which has its registered office at Collins House, Rutland Square, Edinburgh, Midlothian, EH1 2AA. The results of Heart of Midlothian plc are included in the consolidated financial statements of Bidco (1874) Limited which are available from Companies House, Fourth Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.2 Going concern

The directors have prepared cash flow projections through to 31 December 2021. The projections include:

- The recognition that there is likely to be no fans returning to stadiums in season 2020/21.
- The likelihood that revenue streams particularly in the Hospitality and Retail sectors of the business, will continue to thrive, accepting limitations arising from current and potential further Covid-19 related Government restrictions.
- Confirmation from Bidco (1874) Limited that the short term loans existing at 30 June 2020 will not be repayable within twelve months of the date of these accounts.
- The post year end agreement that the £1m facility provided by a related party will not be repayable until October 2023.
- The availability of continued long-term support from benefactor donations.
- The continued support of the Foundation of Hearts, contributing £130k per month to the company's working capital.
- The continued support of supporters, sponsors, and other Club partners.

The projections indicate that the company should remain cash positive during the period they cover. Whilst the company is not wholly dependent on the cash inflows from the Foundation of Hearts to continue as a going concern, the contributions from the Foundation continue to be a vital element of Club funding.

Having reviewed the cash flow projections, and whilst accepting the future will be challenging, the directors believe that the company has the ability to continue as a going concern for the foreseeable future.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts, from football and related commercial activities.

The fixed element of broadcasting revenues is recognised over the duration of the football season, whilst facility fees for live coverage or highlights are recognised when earned.

Income from the sale of season tickets in respect of the coming season is deferred at the year end and recognised throughout the year based on the number of matches.

Donation income has been separately presented on the face of the profit and loss account. Exceptional donations relating to the Tynecastle Redevelopment Project were recognised when received but were not classified as turnover as they do not relate to the operating activities of the company. Donations received from Foundation of Hearts Limited relating to the Tynecastle Redevelopment Project were not included in the profit and loss account, but were taken directly to reserves.

Following the completion of the purchasing of the loan participation rights in the year from Bidco 1874 Limited, further amounts have been extended by Foundation of Hearts Limited to the company under a subordinated loan agreement. Amounts received have been accounted for as donations as they are unlikely to be repaid under the agreement.

1.4 Players' registrations, transfer fees and signing on fees

Costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised, in equal annual instalments, over the period of the respective players' contracts based on nil residual values. Players' registrations are written down for impairment when the carrying amount exceeds the estimated amount recoverable through continued registration with the Club or sale. Profits or losses on the disposal of player registrations are recognised in the profit and loss account in the year in which the transfer contract is signed and represents the transfer fee receivable, net of any transaction costs, less the unamortised cost of the player's original registration.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Under FRS102 Section 35, the company has elected to freeze the previous GAAP revaluation of freehold land and buildings and memorabilia and treat it as deemed cost as at the revaluation date. Freehold land and property is depreciated from the valuation date, memorabilia and assets in the course of construction are not depreciated.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings freehold	Depreciated over a period of 50 years
Leasehold property	Depreciated over 25 year term of lease
Assets in the course of construction	See above
Plant and equipment	Depreciated over a period of 4 to 10 years
Memorabilia	See above

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the profit and loss account.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to sell is recognised as an impairment in the profit and loss account. Reversals of impairment losses are also recognised in the profit and loss account.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through the profit and loss account, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other creditors and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Employee Costs

A grant has been provided for employee costs as part of the government's Job Retention Scheme. A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.17 Exceptional Items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as exceptional items. These are disclosed separately to provide further understanding of the financial performance of the company.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Carrying value of player registrations

The costs of player registration and transfer fees are written off over the term of the players' contracts. The directors review the value of these assets each year to identify if there is any impairment in the value of them. Where an impairment is identified, it is recognised in the profit and loss account.

Depreciation and estimated useful life of tangible assets

The directors must estimate the useful life and residual value of tangible assets, and determine a suitable depreciation rate over which to write down these assets. Details of these estimates are included in note 1.5. The directors also review the carrying value of tangible assets for any potential impairment. Where an impairment is identified, it is recognised in the profit and loss account.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020	As restated 2019
	£000	£000
Turnover analysed by class of business		
Gate receipts	5,086	5,954
Sponsorship and advertising	873	877
Broadcasting rights	127	545
Commercial	3,152	3,782
UEFA solidarity and prize money	1,920	2,494
Other operating income	1,112	1,216
	<u>12,270</u>	<u>14,868</u>

Donations of £199k in 2019 have been reclassified from other operating income to donations to better reflect the nature of the income. In the prior year, included within other operating income was £500k in relation to a contribution towards stadium developments.

	2020	2019
	£000	£000
Other revenue / amounts included within other operating income		
Furlough grants received	742	-
	<u>742</u>	<u>-</u>

Grants received consists of monies in relation to the Covid-19 Job Retention Scheme.

	2020	2019
	£000	£000
Turnover analysed by geographical market		
UK	12,270	14,868
	<u>12,270</u>	<u>14,868</u>

Broadcasting rights consists of monies received from Cup television income and the Club's internal TV streaming subscriptions. Other broadcasting income, received as part of the SPFL prize money, is included within UEFA solidarity and prize money.

4 Gain on sale of player registrations

	2020	2019
	£000	£000
Proceeds from sale of player registrations	376	604
Costs of player registrations sold or terminated	(32)	(78)
	<u>344</u>	<u>526</u>
Gain on sale of players	<u>344</u>	<u>526</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

5 Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	20	18
For other services		
Taxation compliance services	7	5
Other taxation services	19	15
All other non-audit services	3	3
	<u>29</u>	<u>23</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Players, coaching and football support staff	114	122
Administration and commercial staff	89	71
Part-time hospitality staff	122	146
	<u>325</u>	<u>339</u>

Their aggregate remuneration comprised:

	2020 £000	2019 £000
Wages and salaries	7,862	7,446
Social security costs	836	721
Pension costs	78	53
	<u>8,776</u>	<u>8,220</u>

The company incurred £1,858k (2019: £nil) of salary costs in relation to individuals who were placed on the Covid-19 Job Retention Scheme.

7 Directors' remuneration

	2020 £000	2019 £000
Remuneration for qualifying services	<u>208</u>	<u>260</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

7 Directors' remuneration

(Continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £000	2019 £000
Remuneration for qualifying services	140	178

8 Profit on ordinary activities

	2020 £000	2019 £000
Profit on ordinary activities before interest for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	1,168	888
Amortisation of intangible assets	351	320
Cost of stocks recognised as an expense	776	765
Impairment of stocks recognised or reversed	3	17
Operating lease charges	275	336

9 Donations

Included in donations is the following:

	2020 £000	2019 £000
Donations from benefactor	3,000	3,250
Donations from FOH	603	-
Other donations	130	199
	3,733	3,449

The company's principal benefactor has continued to support the business during the year with a total donation contribution of £3m (2019 - £3.25m).

The Foundation of Hearts provided donations amounting to £603k (2019 - £nil) directly to the company, following the final instalment of the repayment of the £2.4m loan to Bidco (1874) Limited in January 2020. For further information see note 27.

Other donations of £130k (2019 - £199k) comprise ad hoc monies received from supporters and other individuals.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

10 Exceptional items

The exceptional costs relating to the Covid-19 pandemic are as shown below:

	2020 £000	2019 £000
Wage costs for furloughed employees	1,858	-
Grant furlough income	(742)	-
	<u>1,116</u>	<u>-</u>
Legal costs	646	-
	<u>1,762</u>	<u>-</u>

The costs of all employees who were placed on furlough during the months of March through to June 2020 amounted to £1,858k (2019 – £nil). In connection with this, furlough grant income of £742k (2019 - £nil) was received from the UK Government.

The exceptional legal costs relate to the dispute between the company and The Scottish Professional Football League Limited over the conclusion of the 2019/20 season. See note 21 for further information.

11 Interest payable and similar charges

	2020 £000	2019 £000
Interest on financial liabilities measured at amortised cost:		
Interest on finance leases and hire purchase contracts	23	35
Interest payable to group undertakings	18	92
Interest payable to related parties	15	47
	<u>56</u>	<u>174</u>
Other finance costs:		
Loan arrangement fees on loans from fellow group undertakings	-	19
	<u>56</u>	<u>193</u>

More details about interest payable and similar expenses are explained in notes 19 and 30.

12 Taxation

	2020 £000	2019 £000
Current tax		
UK corporation tax on profits for the current period	(44)	(2)

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

12 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £000	2019 £000
Profit before taxation	429	2,931
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	82	557
Tax effect of expenses that are not deductible in determining taxable profit	-	3
Tax effect of income not taxable in determining taxable profit	-	(347)
Change in unrecognised deferred tax assets	921	(215)
Permanent capital allowances in excess of depreciation	111	-
Deferred tax adjustments in respect of prior years	(1,158)	-
Tax credit for the year	(44)	(2)

13 Intangible fixed assets

	Players' registrations £000
Cost	
At 1 July 2019	918
Additions	369
Disposals	(122)
At 30 June 2020	1,165
Amortisation and impairment	
At 1 July 2019	423
Amortisation charged for the year	351
Disposals	(90)
At 30 June 2020	684
Carrying amount	
At 30 June 2020	481
At 30 June 2019	495

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

14 Tangible fixed assets

	Land and buildings freehold	Leasehold property	Assets in the course of construction	Plant and equipment	Memorabilia	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 July 2019	21,183	2,544	2,420	7,325	167	33,639
Additions	-	-	221	84	-	305
Transfers	2,128	-	(2,641)	513	-	-
At 30 June 2020	23,311	2,544	-	7,922	167	33,944
Depreciation and impairment						
At 1 July 2019	1,082	1,526	-	2,654	-	5,262
Depreciation charged in the year	503	102	-	563	-	1,168
At 30 June 2020	1,585	1,628	-	3,217	-	6,430
Carrying amount						
At 30 June 2020	21,726	916	-	4,705	167	27,514
At 30 June 2019	20,101	1,018	2,420	4,671	167	28,377

Stadium redevelopment

Phase 3 of the stadium redevelopment plans was completed during the year along with the completion of the pitch replacement works. As such, £2,641k was transferred during the year from 'Assets in the Course of Construction' and allocated to 'Land and buildings' and 'Plant and equipment' as appropriate, and depreciated accordingly. At 30 June 2020, a total of £20,901k has been capitalised in the accounts in connection with the Tynecastle Redevelopment Project.

During the year £84k was spent on new CCTV equipment and a new IT server – this has been capitalised and included in 'Plant and Equipment'.

15 Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	579	643

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

16 Debtors

	2020	2019
	£000	£000
Amounts falling due within one year:		
Trade debtors	106	636
Corporation tax recoverable	2	2
Other debtors	303	533
Prepayments and accrued income	199	249
	<u>610</u>	<u>1,420</u>

17 Creditors: amounts falling due within one year

	Notes	2020	2019
		£000	£000
Loans and overdrafts	19	5,494	3,972
Obligations under finance leases	20	70	206
Trade creditors		1,541	2,868
Other taxation and social security		1,467	612
Deferred income	22	3,464	5,199
Other creditors and accruals		838	1,048
		<u>12,874</u>	<u>13,905</u>

The company has taken full advantage of the Government support available during the current pandemic and agreed deferrals with HMRC in connection with PAYE monies due. A Time To Pay Arrangement has now been agreed with HMRC, with all deferred monies scheduled to be repaid over the course of season 2020/21.

18 Creditors: amounts falling due after more than one year

	Notes	2020	2019
		£000	£000
Obligations under finance leases	20	<u>90</u>	<u>144</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

19 Loans and overdrafts

	2020	2019
	£000	£000
Loans from group undertakings - senior loan	2,400	2,400
Loans from group undertakings - short-term loan	2,095	870
Loans from related parties	999	702
	<u>5,494</u>	<u>3,972</u>
Payable within one year	<u>5,494</u>	<u>3,972</u>

During the year the Foundation of Hearts Limited has continued to acquire participation rights in the senior loan between Bidco (1874) Limited and Heart of Midlothian plc amounting to £890k (2019 - £1.32m), in accordance with the Repayment and Funding Support Agreement entered into in May 2014. Total participation rights amounting to £2.4m have now been acquired. The Foundation of Hearts Limited will legally acquire the senior debt from Bidco (1874) Limited, when the final £100k is paid to Bidco (1874) Limited for the acquisition of the 75.1% shareholding. Until the remaining amount is paid, the full amount of the senior loan (£2.4m), remains as a liability due to Bidco (1874) Limited.

Bidco (1874) Limited continued to provide a number of short-term loan facilities to the company over the course of the year, amounting to £1,225k (2019 - £700k). The total short-term facilities owed to Bidco (1874) Limited at 30 June 2020 was £2,095k (2019 - £870k). These facilities have been provided on an interest free basis. Subsequent to year end, Bidco (1874) Limited confirmed that no repayment would be sought within the next twelve-month period.

Amounts owed to the company's parent company, Bidco (1874) Limited, are secured by a standard security over Tynecastle Stadium. Bidco (1874) Limited also holds a floating charge over the assets of the company.

In the prior year, a director provided a £1m loan facility to the company. Post year-end, the director has varied the facility, such that no repayment of the loan is now due until October 2023. At 30 June 2020, £999k (2019 - £702k) of this varied facility has been drawn down by the company.

20 Finance lease obligations

	2020	2019
	£000	£000
Future minimum lease payments due under finance leases:		
Within one year	78	213
In two to five years	100	176
	<u>178</u>	<u>389</u>
Less: future finance charges	(18)	(39)
	<u>160</u>	<u>350</u>

The company has historically entered into a number of finance leases in order to acquire new kitchen, lounge and TV/AV equipment. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term for the new leases is five years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

21 Provisions for liabilities

Provisions for legal costs

	2020 £000	2019 £000
Exceptional provision for legal fees	646	-
	<u>646</u>	<u>-</u>

The provision for legal fees relates to the dispute between Heart of Midlothian plc and the Scottish Professional Football League Limited over the enforced relegation of Hearts FC, following the cessation of the 2019/20 season, resulting from the Covid-19 pandemic. A legal process ensued firstly via the Court of Session and then via the Scottish Football Associations's Arbitration process. The action was not found in the company's favour and as such the company became liable for relevant costs and expenses. Full provision has been made for all associated costs in these financial statements.

Unrecognised deferred tax asset

The potential deferred tax asset not recognised in the financial statements as follows:

	2020 £000	2019 £000
Fixed asset timing differences	(32)	(68)
Other timing differences	37	34
Tax losses available	10,791	9,909
	<u>10,796</u>	<u>9,875</u>

The potential deferred tax asset has not been recognised in accordance with the accounting policy set out in note 1, because it is not clear that suitable taxable profits will be available in the foreseeable future for offset.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

22 Deferred income

	2020 £000	2019 £000
Other deferred income	3,464	5,199

23 Retirement benefit schemes

	2020 £000	2019 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	78	53

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

24 Share capital

	2020 £000	2019 £000
Ordinary share capital Issued and fully paid 156,478,232 Ordinary shares of 10p each	15,648	15,648

Each share has equal voting rights and is entitled to one vote each.

25 Share premium account

The share premium account represents amounts received in excess of the par value of a share.

26 Revaluation reserve

The revaluation reserve represents the revaluation of memorabilia as at 31 July 1998, based on the open market value. The memorabilia was previously carried at £nil cost.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

27 Other reserves

	Foundation of Hearts working capital reserve	Foundation of Hearts stadium redevelopment reserve	Foundation of Hearts Bidco repayment reserve	Total
	£000	£000	£000	£000
At 1 July 2018	3,941	3,000	190	7,131
Transfer of Foundation of Hearts loan participation rights to debt	-	-	(190)	(190)
At 30 June 2019	3,941	3,000	-	6,941
Transfer of Foundation of Hearts donations from profit and loss reserve	603	-	-	603
At 30 June 2020	4,544	3,000	-	7,544

The Foundation of Hearts working capital reserve represents the funding received from Foundation of Hearts Limited in the first two years of its support to the company, which ended on 9 May 2016. These funds were deemed not to be repayable to Foundation of Hearts Limited and were therefore classified as equity rather than as a liability.

The Foundation of Hearts stadium redevelopment reserve represents the funds advanced by Foundation of Hearts Limited, subsequent to the end of the initial two year period, for the redevelopment of Tynecastle stadium. The Repayment and Funding Support Agreement entered into in May 2014 between Bidco (1874) Limited and Foundation of Hearts Limited, was updated in January 2017 to facilitate this. For the period from May 2016 to May 2018 a total of £3m was provided. These funds are also not repayable to Foundation of Hearts Limited and are classed as equity rather than as a liability.

In accordance with the amendments to this Agreement, a total of 35% of the voting rights attached to the shares held by Bidco (1874) Limited in the company, were transferred to Foundation of Hearts Limited, following the completion of the £3m participation in the redevelopment project. This transfer was completed in May 2018.

In May 2018, in accordance with The Repayment and Funding Support Agreement, the Foundation of Hearts Limited commenced the purchase of participation rights in the Bidco (1874) Limited senior loan. During the year, an additional £890k (2019 - £1.32m) has been purchased, resulting in the full £2.4m being acquired as at the year end date. The Foundation of Hearts Limited will legally acquire the senior debt from Bidco (1874) Limited, when the final £100k is paid to Bidco (1874) Limited for the acquisition of the 75.1% shareholding, in accordance with the Agreement.

Further to the completion of the purchase of the £2.4m participation rights, the Foundation of Hearts Limited has contributed a further £603k (2019 - £nil) of donations to the company. These monies were deemed to be non-repayable and as such have been recognised in the Profit & Loss Account and subsequently transferred to the Foundation of Hearts Working Capital Reserve, in keeping with the first two years of working capital funding.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

27 Other reserves

(Continued)

Foundation of Hearts Limited holds a standard security over Tynecastle Stadium. Foundation of Hearts Limited also holds a floating charge over the assets of the company. All securities held by Foundation of Hearts Limited are subordinated behind the security held by Bidco (1874) Limited.

In accordance with the Repayment and Funding Support Agreement, it was expected that the transfer of a 75.1% shareholding from Bidco (1874) Limited to the Foundation of Hearts Limited would have taken place before the year end. However, with the challenges and uncertainties arising from the Covid-19 pandemic it was agreed by both parties that the transfer should be delayed for now. It is anticipated that the transfer of ownership will be delayed by approximately one year from the balance sheet date.

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020 £000	2019 £000
Acquisition of tangible fixed assets	-	237

29 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £000	2019 £000
Within one year	292	283
Between two and five years	1,258	1,221
In over five years	687	1,016
	<u>2,237</u>	<u>2,520</u>

30 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, including directors, is as follows.

	2020 £000	2019 £000
Aggregate compensation	<u>454</u>	<u>505</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

30 Related party transactions

(Continued)

Other transactions

On the acquisition of the company in May 2014, Bidco (1874) Limited provided a loan of £2.4m to the company. In accordance with The Repayment and Funding Support Agreement, the Foundation of Hearts Limited has purchased participation rights worth £2.4m in this loan. At 30 June 2020 the company owed Bidco (1874) Limited £2.4m (2019 - £2.4m) with participation rights transferring to Foundation of Hearts on completion of equity purchase.

Bidco (1874) Limited continued to provide a number of short-term loan facilities to the company over the course of the year, amounting to £1,225k (2019 - £700k). The total short-term facilities owed to Bidco (1874) Limited at 30 June 2020 was £2,095k (2019 - £870k). These facilities have been provided on an interest free basis. Subsequent to year end, Bidco (1874) Limited confirmed that no repayment would be sought within the next twelve-month period.

Foundation of Hearts Limited is a company in which D Cumming and S Wallace were also directors during the year. During the year, Foundation of Hearts Limited purchased participation rights of £870k (2019 - £1.32m) of the £2.4m senior loan owed to Bidco (1874) Limited. In addition, during the year, the Foundation of Hearts Limited contributed a further £603k (2019 - £nil) of donations to the company. As at 30 June 2020, the total amount paid by Foundation of Hearts Limited in connection with the provision of working capital, the contribution to the Tynecastle Redevelopment Project and the repayments to Bidco (1874) Limited was £10m (2019 - £8.5m).

In the prior year, a director provided a £1m loan facility to the company. The loan has been provided at market interest rates. Post year-end, the director has varied the facility, such that no repayment of the loan is now due until October 2023. At 30 June 2020, £999k (2019 - £702k) of this varied facility has been drawn down by the company.

During the year, the company purchased construction services from JB Contracts (Scotland) Limited amounting to £264k (2019 - £1.1m). At 30 June 2020, the company owed JB Contracts (Scotland) Limited £46k (2019 - £485k). Whilst there is a family connection between Dr A Budge and the director and controlling shareholder of this company, there are no shared business interests. The construction services were procured by our independent 3rd party Construction Manager, who was responsible for the evaluation, selection and appointment of suitable trade contractors, via a structured tender process. The Board are satisfied that the services were purchased on an arm's length basis.

Dr A Budge is a director of Big Hearts Community Trust. During the year, the company invoiced £25k (2019 - £25k) and received £28k (2019 - £25k) from the charity. As at 30 June 2020, the company was owed £nil (2019 - £2k) by Big Hearts Community Trust.

31 Ultimate controlling party

The company's parent and ultimate parent company is Bidco (1874) Limited. The ultimate controlling party is Dr A Budge.

Bidco (1874) Limited is the only company into which the results of the company are consolidated. Copies of the consolidated accounts can be obtained from Companies House, Fourth Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

32 Subsidiaries

Details of the company's subsidiaries at 30 June 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Tynecastle Events Limited	Scotland	Dormant	Ordinary	100.00	-

The capital and reserves for the year of the subsidiary was £1.

33 Analysis of changes in net debt

	1 July 2019 £000	Cash flows £000	30 June 2020 £000
Cash at bank and in hand	591	1,785	2,376
Borrowings excluding overdrafts	(3,972)	(1,522)	(5,494)
Obligations under finance leases	(350)	190	(160)
	<u>(3,731)</u>	<u>453</u>	<u>(3,278)</u>

34 Cash generated from operations

	As Restated	
	2020 £000	2019 £000
Profit for the year after tax	473	2,933
Adjustments for:		
Taxation credited	(44)	(2)
Finance costs	56	193
Gain on sale of registrations	(344)	(526)
Amortisation and impairment of intangible assets	351	320
Depreciation and impairment of tangible fixed assets	1,168	888
Increase in provisions	646	-
Movements in working capital:		
Decrease/(increase) in stocks	64	(159)
Decrease/(increase) in debtors	810	(234)
(Decrease)/increase in creditors	(682)	716
(Decrease)/increase in deferred income	(1,735)	323
Cash generated from operations	<u>763</u>	<u>4,452</u>