

# The Hibernian Football Club Limited

Financial Statements for the year ended 2 July 2019

## Contents

Club information – page 1
Strategic Review – page 2,3 and 4
Directors' Report – page 5 and 6
Auditor's Report – page 7 and 8
Profit and Loss Account – page 9
Statement of Comprehensive Income – page 9
Balance Sheet – page 10
Statement of Changes in Equity – page 11
Cash Flow Statement – page 12
Notes to the Financial Statements – pages 13 to 24

## Company information

### Registered Office

Easter Road Stadium, 12 Albion Place, Edinburgh, EH7 5QG  
Switchboard: 0131 661 2159 [www.hibernianfc.co.uk](http://www.hibernianfc.co.uk)

### Directors

Ronald Gordon, Bruce Langham, Amanda Jones, Brian Houston, Stephen Dunn, Archie Paton, Kieran Power, Tracey Smith, Leeann Dempster and Fiona Larnach

### Head Coach

Paul Heckingbottom (until 4 November 2019)

### Auditor

KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG

### Bankers

Santander UK plc, 12-13 St Andrew Square, Edinburgh, EH2 2AF

### Solicitors

Dentons UK and Middle East LLP, Quartermile One, 15 Lauriston Place, Edinburgh, EH3 9EP

### Main Sponsors

Hibernian Community Foundation – Club Sponsor  
Macron – Technical Sponsor

# Strategic Review

Financial Statements for the year ended 2 July 2019

The Directors present their Strategic Review along with the Directors' Report and audited financial statements for the year ended 2 July 2019.

The Club is a leading professional football club in Scotland. Established in 1875, the Club owns Easter Road Stadium which is its registered home ground for senior competitions. The Club also has its own training centre near Ormiston, in East Lothian. The Club is a full member of the Scottish FA and the Scottish Professional Football League Limited.

## Strategic Review

The Club's results for the last five seasons may be summarised in the following table of key performance indicators:

Football Season		2014-15	2015-16	2016-17	2017-18	2018-19
League Position		2 <sup>nd</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	5 <sup>th</sup>
Division		Championship	Championship	Championship	Premiership	Premiership
Scottish Cup		Semi-final	Win	Semi-final	R4	R4
League Cup		QF	Final	2 <sup>nd</sup> round	SF	QF
UEFA		nq	nq	Europa	nq	Europa
Period Ended		Year 31 July 2015	11 months 30 June 2016	Year 30 June 2017	Year 30 June 2018	Year 2 July 2019
Turnover	£m	5.6	7.0	7.7	9.6	10.8
Staff costs	£m	3.4	3.8	4.5	5.3	6.3
Operating profit/(loss)	£m	(1.1)	(0.1)	(0.7)	0.4	(0.7)
Transfer fees gain/(loss)	£m	0.0	0.3	0.5	(0.2)	2.8
Profit/(loss) before tax	£m	(1.1)	0.2	(0.3)	0.2	2.0
Wages/turnover ratio	%	61%	54%	59%	56%	59%
As at		31 July 2015	30 June 2016	30 June 2017	30 June 2018	2 July 2019
Fixed Assets	£m	25.1	24.6	24.2	24.2	25.1
Net Assets	£m	18.8	19.6	19.4	19.8	25.9
Cash balance	£m	2.7	2.5	3.5	4.2	5.5

In the Premiership, the Club achieved a fifth-place finish and, unfortunately failed to qualify for the UEFA Europa League for season 2019-20.

At the beginning of season 2018-19 the Club progressed through two rounds of UEFA Europa League qualifying, beating Runavik and Asteras Tripolis before exiting the competition after a third-round defeat by Molde. In the domestic Cup competitions the Club progressed to the quarter final of both the Scottish and League Cups.

There was a change in the football management team at the club during the season, with Neil Lennon and Garry Parker leaving the club in January 2019 and Paul Heckingbottom and Robbie Stockdale joining in February 2019. On 4 November 2019 the Club terminated the employment of Head Coach, Paul Heckingbottom and Assistant Head Coach, Robbie Stockdale. The Club have now commenced a recruitment process to find successors for these two key positions.

Turnover increased by 13% from the previous year to £10.8m as a result of increased season ticket sales and attendances at Easter Road Stadium, together with the income generated by participation in the three rounds of UEFA Europa League qualifiers.

Staff costs increased to £6.3m from £5.3m in the previous year, reflecting increased investment in the playing squad and off-field staffing. The important Wages to Turnover ratio increased to 59% compared to 56% for the previous year as a share of the transfer money received from player sales was reinvested in the staffing of the club.

Other operating costs increased to £4.3m for the year compared to £3.0m in the previous year. This reflected the increased travel and related costs associated with participation in the UEFA Europa League qualifiers together with increased maintenance spend at both Easter Road Stadium and the Training Centre at East Mains.

## Strategic Review

Financial Statements for the year ended 2 July 2019

Player trading resulted in a gain of £2.8m for the year compared to a loss of £0.2m in the previous year. The biggest contributor to this gain was the sale of John McGinn to Aston Villa in August 2018.

As a result of the above the Club reported a profit before tax of £2.0m compared to £0.2m in the previous year.

The Club had cash balances at 2 July 2019 of £5.5m, up from £4.2m at 30 June 2018, due in part to the additional cash contributed by Bydand Sports, LLC as part of its acquisition of the Club

Net assets at 2 July 2019 were £25.9m, up from £19.8m at 30 June 2018 due primarily to the acquisition by Bydand Sports, LLC.

Net assets at 2 July 2019 equate to 20.7p per share.

On 1 July 2019 the ownership of the club changed for the first time in many years when H.F.C.Holdings' majority shareholding was purchased by Bydand Sports, LLC. After purchasing the majority shareholding, Bydand Sports, LLC subsequently converted the outstanding mortgage balance at that date of £2,262,006 into share capital and also invested £1.250,000 in cash in the shares of the Club.

During the year, £180,000 was also received by the Club from the issue of new shares to Hibernian Supporters Limited under a subscription agreement dated 14 February 2015. After the issue of these shares the authorised share capital of the Club has been issued in full. After these transactions Bydand Sports, LLC now owns 67.2% of the issued share capital of the Club. The nominal share capital of the Club at 2 July 2019 was £2,500,000, up from £1,957,000 at 30 June 2018

The total number of shares held by Hibernian Supporters Limited at 2 July 2019 equates to 15.4% of the issued share capital of the Club. Hibernian Supporters Limited is a company limited by guarantee which holds shares on behalf of supporters. A further 17.4% of the shares in the Club are held directly by supporters.

The Club seeks to live within its means and uses its cash balances to fund the working capital cycle during the year and as a buffer against the financial fluctuations which flow from changes in sporting success. Revenues from attendances at matches and other income, including prize money depend on continuing sporting success, a dependency which affects all professional football clubs.

The Club seeks to invest in football talent to improve its results on the field. However, in order to fund these efforts, success is imperative, both in team performance and increased turnover. The Club must maintain control over all costs consistent with the achievement of its principal objectives. Strategic player trading can contribute to results for the year and help to offset any operating losses.

Any changes to the regulations for the movement of players internationally as a result of plans to withdraw from the European Union may have an impact on professional football throughout the United Kingdom. It is for the football industry as a whole to work to ensure that it is satisfied with the nature of any such changes. At this time, announcement of withdrawal and the subsequent negotiations have not had a material impact on the Club's operations.

The state of the economy affects the ability of supporters to attend matches. The Club continues to offer flexible and cost-effective ways to purchase tickets on a seasonal and match to match. The Club is reviewing investments to provide additional value to supporters by enhancing their matchday experience.

## Strategic Review

Financial Statements for the year ended 2 July 2019

The Club seeks sporting success in league and cup competitions and strives to compete in Europe on a regular basis. The Club operates in an open and transparent manner with supporters and business partners at all levels and seeks to make a contribution to Scottish football.

The Club is embedded within its community. The Club's main sponsor for season 2019-20 is Hibernian Community Foundation, a registered charity, which aims through its active engagement with the wider community to promote Health & Fitness, Learning & Employability and Football for All. The Club is a member of, and has directors in common with, The Hibernian Community Foundation Limited (note 18).

The Board would like to thank all those who attended matches at Easter Road Stadium in record numbers in Season 2018-19 and to thank the players, coaching staff and everyone else who work tirelessly behind the scenes.



**Leeann Dempster, Chief Executive**  
**For and on behalf of the Board of Directors**  
7 November 2019

12 Albion Place  
Edinburgh  
EH7 5QG

# Directors' Report

Financial Statements for the year ended 2 July 2019

The Directors present their Report on the business of the Company together with the audited financial statements for the year ended 2 July 2019.

The Directors who served throughout the year were Rod Petrie (Non-executive Chairman); Leeann Dempster (Chief Executive); Jamie Marwick (Finance Director until 26 October 2018); Fiona Larnach (Finance Director from 26 February 2019) and Non-Executive Directors Bruce Langham, Amanda Jones, Brian Houston, Stephen Dunn, Frank Dougan (resigned 13 May 2019), Tracey Smith, Kieran Power (appointed 25 June 2019). With the purchase of shares by Bydand Sports, LLC from H.F.C.Holdings Limited on 1 July 2019, Rod Petrie resigned as Non-Executive Chairman and Ronald Gordon and Archie Paton were appointed as Non-Executive Directors.

## Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REVIEW, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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


## Directors' Report

Financial Statements for the year ended 2 July 2019

### Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### By order of the Board



**Fiona Larnach,**  
Finance Director  
7 November 2019

12 Albion Place  
Edinburgh  
EH7 5QG

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HIBERNIAN FOOTBALL CLUB LIMITED

## Opinion

We have audited the financial statements of The Hibernian Football Club Limited ("the company") for the year ended 2 July 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cashflow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 July 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the appropriateness of the going concern basis of preparation of the financial statements. This depends on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## Other information

The directors are responsible for the other information, which comprises the Strategic Review and the Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HIBERNIAN FOOTBALL CLUB LIMITED**

- in our opinion the information given in the Strategic Review and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Bruce Marks (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG

11 November 2019



## Profit & Loss Account

For the year ended 2 July 2019

	Notes	2019 £	2018 £
<b>Turnover</b>	2	10,822,578	9,556,450
Operating expenses	3	<u>(11,571,030)</u>	<u>(9,121,694)</u>
<b>Operating (loss)/profit</b>		(748,452)	434,756
Gain/(loss) on disposal of intangible fixed assets	6	<u>2,784,170</u>	<u>(220,381)</u>
<b>Profit before interest and taxation</b>		2,035,718	214,375
Net interest receivable	7	<u>4,258</u>	<u>192</u>
<b>Profit before taxation</b>		2,039,976	214,567
Taxation	8	<u>(6,963)</u>	<u>(11,579)</u>
<b>Profit for the financial year</b>		<u>2,033,013</u>	<u>202,988</u>

The result reported in the financial statements related wholly to the continuing operations of the Company.

The accompanying notes form an integral part of the financial statements.

The Company has no other items of comprehensive income other than the results for the period set out above.

# Balance Sheet

At 2 July 2019

	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	9	23,914,005	23,785,603
Intangible assets	10	<u>1,167,260</u>	<u>451,947</u>
		<u>25,081,265</u>	<u>24,237,550</u>
<b>Current assets</b>			
Stock	11	6,702	5,419
Debtors	12	2,675,754	1,198,657
Cash at bank and in hand		<u>5,518,192</u>	<u>4,242,644</u>
		8,200,648	5,446,720
<b>Creditors: Amounts falling due within one year</b>	13	<u>(7,382,285)</u>	<u>(7,002,850)</u>
<b>Net current assets/ (liabilities)</b>		<u>818,363</u>	<u>(1,556,130)</u>
<b>Total assets less current liabilities</b>		25,899,628	22,681,420
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(30,293)</u>	<u>(2,876,854)</u>
<b>Net assets</b>		<u>25,869,335</u>	<u>19,804,566</u>
<b>Capital and reserves</b>			
Called-up equity share capital	15	2,500,000	1,957,000
Share Premium		11,106,006	7,957,000
Revaluation Reserve		7,637,237	7,802,964
Capital Contribution Reserve	17	339,750	-
Profit & Loss Reserve		<u>4,286,342</u>	<u>2,087,602</u>
<b>Shareholders' funds</b>		<u>25,869,335</u>	<u>19,804,566</u>

Approved by the Board on 7 November 2019



**Leeann Dempster**

Chief Executive



**Fiona Larnach**

Finance Director

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity

At 2 July 2019

	Called up Share capital	Share Premium account	Revaluatio n reserve	Capital Contribut ion reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
Balance at 30 June 2017	1,875,000	7,875,000	7,968,691	-	1,718,887	19,437,578
<b>Total comprehensive Income</b>						
Profit for the year	-	-	-	-	202,988	202,988
<b>Reserve transfer:</b>						
Transfer from revaluation reserve	-	-	(165,727)	-	165,727	-
Total for the year	-	-	(165,727)	-	368,715	202,988
Issue of Ordinary shares	82,000	82,000	-	-	-	164,000
<b>Balance at 30 June 2018</b>	<b>1,957,000</b>	<b>7,957,000</b>	<b>7,802,964</b>	<b>-</b>	<b>2,087,602</b>	<b>19,804,566</b>
<b>Total comprehensive Income</b>						
Profit for the year	-	-	-	-	2,033,013	2,033,013
Capital Contribution in the year	-	-	-	339,750	-	339,750
<b>Reserve transfer:</b>						
Transfer from revaluation reserve	-	-	(165,727)	-	165,727	-
Total for the year	-	-	(165,727)	339,750	2,198,740	2,372,763
Issue of Ordinary shares	543,000	3,149,006	-	-	-	3,692,006
<b>Balance at 2 July 2019</b>	<b>2,500,000</b>	<b>11,106,006</b>	<b>7,637,237</b>	<b>339,750</b>	<b>4,286,342</b>	<b>25,869,335</b>

## Cash Flow Statement

For the year ended 2 July 2019

	Notes	2019 £	2018 £
<b>Cash flow from operating activities</b>			
Profit for the year		2,033,013	202,988
<i>Adjustments for</i>			
Depreciation and amortisation		929,513	802,842
(Gain)/loss on disposal of intangible fixed assets		(2,784,170)	220,381
Loss/(gain) on disposal of tangible assets		5,909	(39)
Non-cash taxes		6,963	-
Interest receivable and similar charges		(4,258)	(192)
		<u>186,970</u>	<u>1,225,980</u>
(Increase)/decrease in stock		(1,283)	15,554
Decrease in trade and other debtors		312,907	151,953
(Decrease)/Increase in creditors		(356,840)	327,137
Net cash inflow from operating activities before tax		<u>141,754</u>	<u>1,720,624</u>
Tax paid		(5,846)	-
Net cash inflow from operating activities after tax		<u>135,908</u>	<u>1,720,624</u>
 <b>Cash flows from investing activities</b>			
Payments to acquire tangible fixed assets		(367,466)	(573,830)
Payments to acquire intangible fixed assets		(1,054,483)	(395,850)
Receipts from sale of tangible fixed assets		35,050	2,250
Receipts on disposal of intangible fixed assets		2,330,624	269,827
Net cash inflow/(outflow) from investing activities		<u>943,725</u>	<u>(697,603)</u>
 <b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	20	1,430,000	164,000
Interest received	20	4,258	192
Outflow related to movement in debt	20	(1,238,343)	(491,647)
Net cash inflow/(outflow) from financing activities		<u>195,915</u>	<u>(327,455)</u>
Net increase in cash		1,275,548	695,566
Cash at the start of the year		<u>4,242,644</u>	<u>3,547,078</u>
<b>Cash at the end of the year</b>		<u>5,518,192</u>	<u>4,242,644</u>

# Notes to the financial statements

For the year ended 2 July 2019

## 1. Principal accounting policies

The Hibernian Football Club Limited is a private company limited by shares and incorporated and domiciled in Scotland in the UK.

These financial statements were prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland which was issued in August 2014. The amendments to FRS 102 which were issued in July 2015 and which were effective immediately have also been applied. These financial statements were prepared as at 2 July 2019, however, the accounting reference date remains as 30 June in line with section 390 of the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Details of any judgements made by the directors in the application of these accounting policies that may have a significant effect on the financial statements and any estimates which are likely to result in a material adjustment in the next financial year are set out in note 19.

### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except for tangible fixed assets which are stated at their fair value measured in accordance with the revaluation model.

### 1.2 Going concern

The current and future cash position of the Club has been reviewed by the Board. This included a comprehensive review of budget and cashflow projections, covering a period beyond one year from the date of approval of the financial statements. The projections make key assumptions around football performance, season and matchday ticket sales, sponsorship, player salaries and operating costs amongst other factors.

After due consideration of the above, including the potential impact should key assumptions (including anticipated football performance) not materialise as projected, the Board is satisfied that there is a reasonable expectation that the Club will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board considers it appropriate to prepare the financial statements on the going concern basis.

### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life. The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Plant and equipment	3-10 years
Fixtures and fittings	3-10 years
Motor vehicles	5 years

## Notes to the financial statements

For the year ended 2 July 2019

Easter Road Stadium and the Hibernian Training Centre are stated at deemed cost at 31 July 2014 less subsequent accumulated depreciation. Deemed cost at 31 July 2014 was determined by reference to a detailed assessment by independent property advisers, Jones Lang Lasalle, as at that date.

### *1.4 Intangible fixed assets*

The costs associated with the acquisition of players are capitalised and treated as intangible fixed assets. These amounts are amortised over the period of the contract on the basis that nil residual values are assumed. The Company assesses at each reporting date whether intangible fixed assets are impaired.

### *1.5 Stock*

Stock is stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle.

### *1.6 Expenses*

#### *Operating leases*

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

#### *Finance leases*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

#### *Signing-on fees*

Signing-on fees payable to players are included within staff costs in the year in which they fall due.

#### *Interest payable*

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

### *1.7 Basic financial instruments*

#### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial

## Notes to the financial statements

For the year ended 2 July 2019

recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

### *Borrowings*

Borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### *Cash and cash equivalents*

Cash and cash equivalents are stated at actual amounts and comprise cash balances and call deposit

## Notes to the financial statements

For the year ended 2 July 2019

### *1.8 Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met are not provided for. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### *1.9 Employee benefits*

The company operates a defined contribution pension scheme for staff. The assets of the scheme are held separately from those of the Company in an independently administered fund. The charge for pension cost represents contributions payable by the Company for the year.

## **2 Turnover**

Turnover represents income derived from the operation of a professional football club and excludes value added tax. All turnover originates from the United Kingdom and is related to the principal activity of the company.



## Notes to the financial statements

For the year ended 2 July 2019

### 3 Operating expenses and Auditors Remuneration

	2019	2018
	£	£
Staff costs	6,333,583	5,336,572
Other operating charges	4,307,934	2,982,280
	<u>10,641,517</u>	<u>8,318,852</u>
Depreciation of tangible fixed assets	596,866	617,305
Amortisation of intangible assets	332,647	185,537
	<u>11,571,030</u>	<u>9,121,694</u>
The profit before taxation is stated after charging:		
	2019	2018
	£	£
Auditor's remuneration		
- audit services	15,000	11,640
- taxation services	4,700	4,550
- other services	3,500	4,000
	<u>3,500</u>	<u>4,000</u>

### 4 Employee information

a) The average number of people, including Directors, employed by the company during the year is analysed below:

	2019	2018
	Number	Number
Players and management	76	65
Commercial and administration	35	35
	<u>111</u>	<u>100</u>

b) Staff costs for the above:

	2019	2018
	£	£
Wages and salaries	5,560,552	4,712,884
Social security costs	660,732	523,330
Pension costs	112,299	100,358
	<u>6,333,583</u>	<u>5,336,572</u>

## Notes to the financial statements

For the year ended 2 July 2019

### 5 Directors' emoluments

The total amount of Directors' emoluments for the year ended 2 July 2019 was £308,618 (2018 - £288,183).

The level of executive pay is determined by a Remuneration Committee which comprises Bruce Langham, Amanda Jones, Brian Houston and Stephen Dunn, all of whom are Non-executive directors of the Company.

The highest paid Director received remuneration of £209,396; pension contributions of £14,600; and benefits in kind of £6,811 in the year to 2 July 2019. The highest paid Director in the year to 30 June 2018 received remuneration of £157,167; pension contributions of £45,100; and benefits in kind of £5,818. Remuneration includes any performance related bonuses earned in the period.

The Non-executive Chairman and the Non-executive Directors did not receive any remuneration for their services to the Company.

### 6 Gain/(loss) on disposal of intangible fixed assets

	2019 £	2018 £
Gain/(loss) on disposal of intangible fixed assets	2,784,170	(220,381)
	<u>2,784,170</u>	<u>(220,381)</u>

### 7 Net interest receivable

	2019 £	2018 £
Interest payable:		
Finance leases	(5,235)	(3,311)
Interest receivable:		
Bank deposits	9,493	3,503
	<u>4,258</u>	<u>192</u>

## Notes to the financial statements

For the year ended 2 July 2019

### 8 Taxation

#### Total tax expense recognised in the profit and loss account

	2019	2018
	£	£
<i>Current Tax</i>		
Current tax on income	11,617	10,500
Tax adjustment relating to prior year	(4,654)	1,079
Total tax	<u>6,963</u>	<u>11,579</u>

#### Reconciliation of effective tax rate

	2019	2018
	£	£
Profit after taxation	2,033,013	202,988
Total tax expense	6,963	11,579
Profit before taxation	<u>2,039,976</u>	<u>214,567</u>
Current Tax at 19.00% (2018 – 19.00%)	387,596	40,768
Expenses not deductible for tax purposes	2,253	5,694
Timing differences	28,499	43,688
Tax payable on property income	11,617	10,500
(Over)/Under provided for in previous years	(4,654)	1,079
Tax losses used	<u>(418,348)</u>	<u>(90,150)</u>
Total current tax charge	<u>6,963</u>	<u>11,579</u>

Factors that may affect future tax charges:

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 26 October 2016, this will reduce the Company's future current tax charge accordingly. The Company has an unrecorded deferred tax asset of approximately £171,000 (2018 - £577,000) which has been calculated based at the tax rate of 17% substantively enacted at the balance sheet date.

## Notes to the financial statements

For the year ended 2 July 2019

### 9 Tangible fixed assets

	Land & Buildings	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 30 June 2018	24,165,869	5,185,851	2,215,674	117,473	31,684,867
Additions	340,254	226,769	135,013	64,191	766,227
Disposal	-	-	-	(53,058)	(53,058)
At 2 July 2019	<u>24,506,123</u>	<u>5,412,620</u>	<u>2,350,687</u>	<u>128,606</u>	<u>32,398,036</u>
<b>Depreciation</b>					
At 30 June 2018	1,232,081	4,578,690	2,029,226	59,267	7,899,264
Charge for period	332,740	190,320	57,167	16,639	596,866
Disposal	-	-	-	(12,099)	(12,099)
At 2 July 2019	<u>1,564,821</u>	<u>4,769,010</u>	<u>2,086,393</u>	<u>63,807</u>	<u>8,484,031</u>
<b>Net Book Value</b>					
At 2 July 2019	<u>22,941,302</u>	<u>643,610</u>	<u>264,294</u>	<u>64,799</u>	<u>23,914,005</u>
At 30 June 2018	<u>22,933,788</u>	<u>607,161</u>	<u>186,448</u>	<u>58,206</u>	<u>23,785,603</u>

Buildings, Plant & Equipment, Fixtures & Fittings and Motor Vehicles have been depreciated during the period in accordance with the Company's accounting policies.

Included in the Net Book Value of tangible fixed assets is £63,684 (2018 - £74,213) in respect of assets acquired under Finance Leases. Depreciation for the year on those assets was £10,528 (2018 - £8,645).

## Notes to the financial statements

For the year ended 2 July 2019

### 10 Intangible fixed assets

Costs relating to Player contracts, Players' Agents and fees

	£
<b>Cost</b>	
At 30 June 2018	773,982
Additions	1,097,415
Disposals	<u>(293,909)</u>
At 2 July 2019	<u>1,577,488</u>
<b>Amortisation</b>	
At 30 June 2018	322,035
Charge for period	332,647
Disposals	<u>(244,454)</u>
At 2 July 2019	<u>410,228</u>
<b>Net Book Value</b>	
At 2 July 2019	<u>1,167,260</u>
At 30 June 2018	<u>451,947</u>

### 11 Stock

	2019	2018
	£	£
Catering stock	<u>6,702</u>	<u>5,419</u>
	<u>6,702</u>	<u>5,419</u>

### 12 Debtors

	2019	2018
	£	£
Trade debtors	1,235,334	411,488
Prepayments and accrued income	<u>1,440,420</u>	<u>787,169</u>
	<u>2,675,754</u>	<u>1,198,657</u>

## Notes to the financial statements

For the year ended 2 July 2019

### 13 Creditors: Amounts falling due within one year

	2019	2018
	£	£
Mortgage (note 14)	-	655,100
Trade creditors	624,654	284,163
Accruals and deferred income	5,781,057	5,154,484
Taxation and social security	945,587	880,545
Finance lease creditor	19,370	18,058
Corporation tax	11,617	10,500
	<u>7,382,285</u>	<u>7,002,850</u>

### 14 Creditors: Amounts falling due after more than one year

	2019	2018
	£	£
Mortgage	-	2,826,555
Finance lease creditor	<u>30,293</u>	<u>50,299</u>
	<u>30,293</u>	<u>2,876,854</u>

The mortgage was provided by the previous parent company, H.F.C.Holdings Limited and was secured, interest free and repayable by monthly instalments of £41,667 plus any accelerated annual payments triggered by the results of the Company. On 1 July 2019 when Bydand Sports, LLC purchased H.F.C.Holdings Limited's shareholding in the Club, the outstanding mortgage balance at that date of £2,262,006 was converted to share capital including a premium of £1,965,256.

### 15 Share capital

	2019	2018
	£	£
Allotted, called-up and fully paid:		
125,000,000 (2018 – 97,850,000) Ordinary Shares of 2p each	<u>2,500,000</u>	<u>1,957,000</u>

### 16 Operating Leases

*Non-cancellable operating lease rentals are payable as follows*

	2019	2018
	£	£
Operating lease payments due:		
Within one year	15,749	40,101
In the second to fifth year inclusive	6,412	21,492
Over five years	-	-
	<u>22,161</u>	<u>61,593</u>

During the year £40,101 was recognised as an expense in the profit and loss account in respect of operating leases (2018 - £40,102).

## Notes to the financial statements

For the year ended 2 July 2019

### **17 Parent company**

Until 1 July 2019 the immediate parent company was H.F.C.Holdings Limited, which held 60% of the shares in the Company as at that date (2018 – 62.7%). The beneficial owners of the shares in H.F.C.Holdings Limited are Sir Tom Farmer CVO CBE KCSG DL (90%) and Rod Petrie (10%). Sir Tom's shareholding in H.F.C.Holdings Limited is held through a number of wholly owned, intermediate holding companies.

On 1 July 2019 the shares owned by H.F.C.Holdings Limited were purchased by Bydand Sports, LLC, whose registered office is at 251 Little Falls Drive, Wilmington, County of New Castle, Delaware 19808, USA. The beneficial owner of 100% of the shares in Bydand Sports, LLC, is Ronald Gordon.

During the year the Company rented land and buildings from the previous parent company H.F.C Holdings Limited at a charge of £24,000 (2018 - £24,000). On 1 July 2019 H.F.C.Holdings Limited transferred certain land and buildings to the Club in the form of a capital contribution. The market value of the land and buildings was £339,750.

At 2 July 2019 there was no sum due to the new parent company Bydand Sports, LLC. At 30 June 2018 the sum due to H.F.C.Holdings Limited was the mortgage of £3,481,655 (notes 13 and 14)

### **18 Related Party Transactions**

The Company is a member of, and has directors in common with, the Hibernian Community Foundation Limited which is a registered charity with the objectives of promoting Health & Fitness; Learning & Employability; and Football for all within the local community. Payments of £4,547 were made to the Foundation during the year (2018 - £14,114) and costs of £4,298 were charged to the Foundation by the Company during the year (2018 – £1,152).

The key management personnel of the Company comprises its executive directors and the senior management responsible for each area of the business. The total remuneration of key management in the year amounted to £787,087 (2018 - £737,475).

### **19 Accounting estimates and judgements**

The company believes that there are no estimation uncertainties and no significant judgements which affect the financial statements.

## Notes to the financial statements

For the year ended 2 July 2019

### 20 Analysis of cash flows

	2019	2018
	£	£
Returns on investment and servicing of finance		
Interest received	9,493	3,503
Interest paid	<u>(5,235)</u>	<u>(3,311)</u>
	<u>4,258</u>	<u>192</u>
Financing		
Issue of Ordinary shares	1,430,000	164,000
Mortgage repayments	(1,219,649)	(560,004)
Finance lease payments	(18,694)	(10,269)
New finance leases	-	78,626
	<u>191,657</u>	<u>(327,647)</u>