

# Strategic Report

Financial Statements for the year ended 30 June 2020

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## 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)

### Company Number

SC005323

### Directors

Ronald Gordon, Bruce Langham, Brian Houston, Stephen Dunn, Archibald Paton,

Kieran Power, Malcolm McPherson, David Davies, Jemma Goba, Kathrin Hamilton, and Gillian Hutchison

### Head Coach

Jack Ross

### Auditor

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

### Bankers

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

### Solicitors

Vialex Limited, Floor 3, 1-4 Atholl Crescent, Edinburgh Eh3 8HA

### Main Sponsors

Thank You NHS – Club Sponsor

Macron – Technical Sponsor

# Strategic Report

Financial Statements for the year ended 30 June 2020

The Directors present their Strategic Review along with the Directors' Report and audited financial statements for the year ended 30 June 2020.

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		2015-16	2016-17	2017-18	2018-19	2019-20
League Position		3 <sup>rd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	5 <sup>th</sup>	7 <sup>th</sup>
Division		Championship	Championship	Premiership	Premiership	Premiership
Scottish Cup		Win	Semi-final	R4	R4	SF
League Cup		Final	2 <sup>nd</sup> round	SF	QF	SF
UEFA		nq	Europa	nq	Europa	nq
Period		11 months	Year	Year	Year	Year
Ended		30 June 2016	30 June 2017	30 June 2018	2 July 2019	30 June 2020
Turnover	£m	7.0	7.7	9.6	10.8	8.9
Staff costs	£m	3.8	4.5	5.3	6.3	6.7
Operating (loss)/profit	£m	(0.1)	(0.7)	0.4	(0.7)	(1.4)
Transfer fees gain/(loss)	£m	0.3	0.5	(0.2)	2.8	0.2
Profit/(loss) before tax	£m	0.2	(0.3)	0.2	2.0	(1.2)
Wages/turnover ratio	%	54%	59%	56%	59%	68%*
As at		30 June 2016	30 June 2017	30 June 2018	2 July 2019	30 June 2020
Fixed Assets	£m	24.6	24.2	24.2	25.1	24.4
Net Assets	£m	19.6	19.4	19.8	25.9	24.6
Cash balance	£m	2.5	3.5	4.2	5.5	5.4

\*The wages/turnover ratio for the year ended 30 June 2020 is inclusive of the furlough income received from United Kingdom's Coronavirus Job Retention Scheme.

In March 2020 the Scottish Professional Football League halted the 2019/2020 campaign in order to prevent further spread of COVID-19. The postponed games were never played and in May 2020 the league announced that the season was to be concluded with immediate effect. After the announcement, the Club ultimately achieved a seventh place finish and therefore, unfortunately missed out on qualification for the UEFA Europa League for season 2020-21. In the domestic Cup competitions the Club progressed to the semi-final of both the Scottish and League Cups.

Turnover decreased by 17% from the previous year to £8.9m as a result of decreased attendances at Easter Road Stadium due to the suspension of football in March 2020, as well as lower the income generated by participation in the three rounds of UEFA Europa League qualifiers in the prior year.

Staff costs increased to £6.7m from £6.3m in the previous year as the club continues to invest in the playing squad and off-field staffing. The important Wages to Turnover ratio increased to 74% compared to 59% for the previous year as turnover decreased due to the impacts on attendance due to COVID-19. However, the Company received approximately £0.5m (2019: £nil) of income from the United Kingdom's Coronavirus Job Retention Scheme. After adjusting for amounts claimed under the scheme, the adjusted wage to turnover ratio is 68% (2019: 59%).

Other operating costs decreased to £3.1m for the year compared to £4.3m in the previous year. This reflected the decreased travel costs associated with participation in the UEFA Europa League qualifiers in the prior year, together with decreased matches in the current year due to the impact of COVID-19.

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

# Strategic Report

Financial Statements for the year ended 30 June 2020

The Club reported a loss before tax of £1.2m compared to profit of £2.0m in the previous year.

The Club had cash balances at 30 June 2020 of £5.4m, down from £5.5m at 2 July 2019. The decrease is driven by a net operating cash outflow of approximately £0.9m due to the loss from operations and lower season ticket sales for the 2020/2021 season. The operating cash outflow was partially offset by a net cash inflow from investing activities of £0.8m, which was primarily due to the amounts received from player transfers, the majority of which were debtors at the prior year-end.

Net assets at 30 June 2020 were £24.6m, down from £25.9m at 2 July 2019, primarily due to the loss achieved in the current year. Net assets at 30 June 2020 equate to 19.7p per share.

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 within a budget while maintaining control over costs. Careful player trading can contribute to results for the year and help to offset any operating losses. The Club's objective is to post a 5-10% EBITDA margin from year to year.

The current Covid pandemic restrictions currently limit the Club's ability to allow supporters in the stadium. The Club anticipates a staged return of supporters during the 21/22 football season full access expected in early 2022. The Club has made the necessary adjustments to effectively operate through the restrictions.

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 basis and seeks to provide value for money to supporters and to enhance the matchday experience.

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 generally.

The Board would like to thank all those who supported the Club during the 19/20 season, especially in view of the challenges imposed on the Club and football in general by the Covid pandemic. We are particularly grateful to our season ticket holders, the players and coaching staff, and the entire team at Hibernian FC for their tireless work behind the scenes to ensure that the Club effectively navigated the public health and financial challenges of the pandemic.



**Ronald Gordon, Executive Chairman**

**For and on behalf of the Board of Directors**

4 March 2021

12 Albion Place  
Edinburgh  
EH7 5QG

# Directors' Report

Financial Statements for the year ended 30 June 2020

The Directors present their Report on the business of the Company together with the audited financial statements for the year ended 30 June 2020. The registered number of the Company is SC005323.

The Directors who served throughout the year and to date are Ronald Gordon (Executive Chairman); Leeann Dempster (Chief Executive until resigning on 5 January 2021); Fiona Larnach (Finance Director until resigning on 13 July 2020); and Non-Executive Directors Bruce Langham, Amanda Jones (resigned 30 June 2020), Malcolm McPherson (appointed 1 August 2020), Brian Houston, Stephen Dunn, Tracey Smith (resigned 7 November 2019), Archibald Paton, Kieran Power, Jemma Goba (appointed 28 December 2020), David Davies (appointed 28 December 2020), Gillian Hutchison (appointed 28 December 2020), and Kathrin Hamilton (appointed 28 December 2020).

## 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 themselves 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 Review, 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;
- 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.

## Directors' Report

Financial Statements for the year ended 30 June 2020

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.

### **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**



**Ronald Gordon,**  
**Executive Chairman**  
4 March 2021

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 30 June 2020 which comprise the Profit & Loss Account, Balance Sheet, Statement of Changes in Equity, Cash Flow 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 30 June 2020 and of its loss 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.

### Material Uncertainty related to going concern

We draw attention to note 1 to the financial statements which notes that the 2020-21 Scottish Premiership league season is currently operating without fans in attendance and there is uncertainty as to when or at what capacity fans will return to the stadium. At the present time, the company's shareholders have not committed to providing additional funding for the company in the event that a reduction in ticket sales results in this being required. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

### Strategic review and directors' report

The directors are responsible for the strategic review and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic review and the directors' report 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 strategic review and the directors' report;
- in our opinion the information given in those reports 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 4, 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.

## Independent Auditor's Report to the members of The Hibernian Football Club Limited

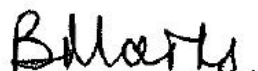
### Auditor's responsibilities

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  
4 March 2021

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

**Profit & Loss Account**  
For the year ended 30 June 2020

	Notes	2020 £	2019 £
<b>Turnover</b>	2	8,936,632	10,822,578
Operating expenses	3	(10,862,188)	(11,571,030)
Other income	3	<u>539,576</u>	<u>-</u>
<b>Operating loss</b>		(1,385,980)	(748,452)
Gain on disposal of intangible fixed assets		<u>152,687</u>	<u>2,784,170</u>
<b>(Loss)/profit before interest and taxation</b>		(1,233,293)	2,035,718
Net interest receivable	6	<u>4,438</u>	<u>4,258</u>
<b>(Loss)/profit before taxation</b>		(1,228,855)	2,039,976
Taxation	8	<u>(9,347)</u>	<u>(6,963)</u>
<b>(Loss)/profit for the financial year</b>		<u>(1,238,202)</u>	<u>2,033,013</u>
<b>Total comprehensive (loss)/income for the year</b>		<u>(1,238,202)</u>	<u>2,033,013</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.



# Balance Sheet

At 30 June 2020

	Notes	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	9	23,648,047	23,914,005
Intangible assets	10	732,025	1,167,260
Investments	11	<u>1</u>	<u>-</u>
		<u>24,380,073</u>	<u>25,081,265</u>
<b>Current assets</b>			
Stock	12	13,085	6,702
Debtors	13	1,717,445	2,675,754
Cash at bank and in hand		<u>5,356,510</u>	<u>5,518,192</u>
		7,087,040	8,200,648
<b>Creditors: Amounts falling due within one year</b>	14	<u>(6,659,684)</u>	<u>(7,382,285)</u>
<b>Net current assets</b>		<u>427,356</u>	<u>818,363</u>
<b>Total assets less current liabilities</b>		24,807,429	25,899,628
<b>Creditors: Amounts falling due after more than one year</b>	15	<u>(176,296)</u>	<u>(30,293)</u>
<b>Net assets</b>		<u>24,631,133</u>	<u>25,869,335</u>
<b>Capital and reserves</b>			
Called-up equity share capital	16	2,500,000	2,500,000
Share Premium		11,106,006	11,106,006
Revaluation Reserve		7,471,510	7,637,237
Capital Contribution Reserve		339,750	339,750
Profit & Loss Reserve		<u>3,213,867</u>	<u>4,286,342</u>
<b>Shareholders' funds</b>		<u>24,631,133</u>	<u>25,869,335</u>

Approved by the Board on 4 March 2021



**Ronald Gordon**  
Executive Chairman

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

# Statement of Changes in Equity

At 30 June 2020

	Called up Share capital	Share Premium account	Revaluation reserve	Capital Contribution reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
Balance at 30 June 2018	1,957,000	7,957,000	7,802,964	-	2,087,602	19,804,566
<b>Total comprehensive Income</b>						
Profit for the year	-	-	-	-	2,033,013	2,033,013
Capital contribution for the year	-	-	-	339,750	-	339,750
<b>Reserve transfer:</b>						
Transfer from revaluation reserve	-	-	(165,727)	-	165,727	-
<b>Total for the year</b>	<b>-</b>	<b>-</b>	<b>(165,727)</b>	<b>339,750</b>	<b>2,198,740</b>	<b>2,372,763</b>
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>
<b>Total comprehensive Income</b>						
Loss for the year	-	-	-	-	(1,238,202)	(1,238,202)
<b>Reserve transfer:</b>						
Transfer from revaluation reserve	-	-	(165,727)	-	165,727	-
<b>Total for the year</b>	<b>-</b>	<b>-</b>	<b>(165,727)</b>	<b>-</b>	<b>(1,072,475)</b>	<b>(1,238,202)</b>
<b>Balance at 30 June 2020</b>	<b>2,500,000</b>	<b>11,106,006</b>	<b>7,471,510</b>	<b>339,750</b>	<b>3,213,867</b>	<b>24,631,133</b>

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

## Cash Flow Statement

Financial Statements for the year ended 30 June 2020

	Notes	2020 £	2019 £
<b>Cash flow from operating activities</b>			
(Loss)/profit for the year		(1,238,202)	2,033,013
<i>Adjustments for</i>			
Depreciation and amortisation		1,156,038	929,513
Loss on disposal of tangible fixed assets		-	5,909
Gain on disposal of intangible assets		(152,687)	(2,784,170)
Non-cash taxes		9,347	6,963
Interest receivable and similar charges		(4,438)	(4,258)
		<u>(229,942)</u>	<u>186,970</u>
Increase in stock		(6,382)	(1,283)
(Increase)/decrease in trade and other debtors		(977,692)	312,907
Increase/(decrease) in creditors		299,009	(356,840)
Net cash inflow from operating activities before tax		<u>(915,007)</u>	<u>141,754</u>
Tax paid		-	(5,846)
Net cash (outflow)/inflow from operating activities after tax		<u>(915,007)</u>	<u>135,908</u>
<b>Cash flows from investing activities</b>			
Payments to acquire tangible fixed assets		(194,107)	(367,466)
Payments to acquire intangible fixed assets		(499,138)	(1,054,483)
Receipts from sale of tangible fixed assets		6,600	35,050
Receipts on disposal of intangible fixed assets		1,454,909	2,330,624
Net cash inflow from investing activities		<u>768,264</u>	<u>943,725</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	21	-	1,430,000
Interest received	21	4,438	4,258
Outflow related to movement in debt	21	(19,377)	(1,238,343)
Net cash (outflow)/inflow from financing activities		<u>(14,939)</u>	<u>195,915</u>
Net (decrease)/increase in cash		(161,682)	1,275,548
Cash at the start of the year		<u>5,518,192</u>	<u>4,242,644</u>
<b>Cash at the end of the year</b>		<u><b>5,356,510</b></u>	<u><b>5,518,192</b></u>

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

# Notes to the financial statements

For the year ended 30 June 2020

## 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.

The Company is exempt by virtue of s402 section of the Companies Act 2006 from the requirement to prepare group financial statements. The lone company undertaking, Hibernian Business Limited, is excluded from these accounts as its inclusion is not material for the purpose of giving a true and fair view. Therefore these financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest pound.

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 20.

### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

### 1.2 Going concern

The annual financial statements are prepared on a going concern basis which the directors believe to be appropriate notwithstanding the significant challenges posed by the current global COVID-19 crisis. The 2020-21 Ladbrokes Premiership league season is currently operating without fans in attendance and there is uncertainty as to when or at what capacity fans will return to the stadium. The Company is currently affected by the loss of income from the lack of match day attendance as well as reduced season ticket holders, and the impact of social distancing requirements on the Company's non-football operations.

As at 31 December 2020 the Company had cash resources of approximately £2.6 and had net current liabilities of £0.7m. Expenses have, to date, been funded from incoming resources and existing cash balances. The Company has received capital injections in the past and holds a 20-year interest free loan from The Scottish Ministers with £1.8m of proceeds received on 26 February 2021. There is currently no certainty in relation to fans returning for either the 2020/21 season or the 2021/2022 season. In addition it is not clear what social restrictions may be in place when fans return to the stadium and therefore it is difficult to forecast what impact the current COVID-19 crisis will have on attendances and hence the amount of any of league match ticket income when games resume.

## Notes to the financial statements

For the year ended 30 June 2020

Whilst this results in uncertainty for the remainder of this financial year and beyond, the Directors have modelled a number of cash flow forecasts on different scenarios for the period to 30 June 2022, including the cancellation of the remaining 2020/21 season with no games until September 2021 as well as the commencement of the 2021/22 season being played entirely behind closed doors. As part of this process, the Company forecasts significant cash from the Company's business interruption proceeds from its insurance holder, as well as the Scottish Government's emergency sports funding package, for which additionally sensitivities have been applied. In every case the directors have included already implemented and expected cash preservation methods. In the base case forecast the Company has sufficient cash resources through to 30 June 2022 to meet its liabilities as they fall due.

However, severe but plausible downside scenarios, could also include cases where amounts of season ticket income for 2021-22 season not being received and distributions from the SPFL being cancelled. Such downside scenarios indicates that £500k - £750k additional cash would be required. Whilst the Company has in the past received capital injections from shareholders, there is no certainty that funding would be available in the future. As at 26 February 2021 no commitments have been made, but the board is confident that it would be able to access funding if required, including from the majority shareholder who is also the club chairman. The Directors are confident that should these downside scenarios materialise that they would be able to call upon shareholders for continuing financial support. At this time, however, additional funding has not been committed by the Company's shareholders.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### *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

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.

## Notes to the financial statements

For the year ended 30 June 2020

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

#### *Cash and cash equivalents*

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

### *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.

## Notes to the financial statements

For the year ended 30 June 2020

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 Defined contribution plan*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

### *1.9 Government grants*

Government grants related to the United Kingdom's Coronavirus Job Retention Scheme are credited to the profit and loss accounts as the related expenditure is incurred.

## **2 Turnover**

Turnover represents income derived from the operation of a professional football club and excludes value added tax. Income from the sale of season tickets in respect of the upcoming season is deferred until the commencement of the season, at which point it is recognised based on the games played. Gate receipts related to match day tickets and hospitality are recognised when the games are played. Sponsorship and similar commercial income is recognised over the specific duration of respective contracts. Awards earned by cup positions and final league position are accounted for only when known at the end of a cup tournament or the end of the football season. 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 30 June 2020

### 3 Operating expenses, Auditor's remuneration, and Other income

	2020 £	2019 £
Staff costs	6,652,778	6,333,583
Other operating charges	<u>3,053,374</u>	<u>4,307,934</u>
	9,706,152	10,641,517
Depreciation of tangible fixed assets	650,346	596,866
Amortisation of intangible assets	<u>505,690</u>	<u>332,647</u>
	<u>10,862,188</u>	<u>11,571,030</u>

The profit before taxation is stated after charging:

	2020 £	2019 £
Auditor's remuneration		
- audit services	21,500	16,500
- taxation services	5,000	4,700
- other services	<u>3,500</u>	<u>3,500</u>

Operating loss is inclusive of other income comprised of:

	2020 £	2019 £
Government job retention scheme	<u>539,576</u>	<u>-</u>

The Company received £539,576 of furlough grants from the United Kingdom's Coronavirus Job Retention Scheme (2019: nil). As part of this scheme, the club received funding for a percentage of the wages for furloughed employees.

### 4 Employee information

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

	2020 Number	2019 Number
Players and management	77	76
Commercial and administration	<u>38</u>	<u>35</u>
	<u>115</u>	<u>111</u>

b) Staff costs for the above:

	2020 £	2019 £
Wages and salaries	5,952,745	5,560,552
Social security costs	571,421	660,732
Pension costs	<u>128,612</u>	<u>112,299</u>
	<u>6,652,778</u>	<u>6,333,583</u>



## Notes to the financial statements

For the year ended 30 June 2020

### 5 Directors' emoluments

The total amount of Directors' emoluments for the year ended 30 June 2020 was £247,971 (2019 - £308,618).

The level of executive pay is determined by a Remuneration Committee which comprises Bruce Langham, Brian Houston and Stephen Dunn, all of whom are Non-executive directors of the Company. The highest paid Director, who was also the chief executive of the Company, received remuneration of £147,625; pension contributions of £14,601; and benefits in kind of £7,042 in the year to 30 June 2020. The highest paid Director, who was also the chief executive of the Company, in the year to 2 July 2019 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 Executive Chairman and the Non-executive Directors did not receive any remuneration for their services to the Company.

### 6 Net interest receivable

	2020	2019
	£	£
Interest payable:		
Finance leases	(3,308)	(5,235)
Interest receivable:		
Bank deposits	<u>7,746</u>	<u>9,493</u>
	<u>4,438</u>	<u>4,258</u>

### 7 Gain on disposal of intangible fixed assets

	2020	2019
	£	£
Gain on disposal of intangible fixed assets	<u>152,687</u>	<u>2,784,170</u>
	<u>152,687</u>	<u>2,784,170</u>

## Notes to the financial statements

For the year ended 30 June 2020

### 8 Taxation

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

	2020	2019
	£	£
<i>Current Tax</i>		
Current tax on income	5,515	11,617
Tax adjustment relating to prior year	3,832	(4,654)
Total tax	<u>9,347</u>	<u>6,963</u>

#### Reconciliation of effective tax rate

	2020	2019
	£	£
(Loss)/profit after taxation	(1,238,202)	2,033,013
Total tax expense	<u>9,347</u>	<u>6,963</u>
(Loss)/profit before taxation	(1,228,855)	2,039,976
Current Tax at 19.00% (2019 – 19.00%)	(233,482)	387,596
Expenses not deductible for tax purposes	2,237	2,253
Timing differences	44,679	28,499
Tax payable on property income	5,515	11,617
Under/(over) provided for in previous years	3,832	(4,654)
Tax losses carried forward/(used)	<u>186,566</u>	<u>(418,348)</u>
Total current tax charge	<u>9,347</u>	<u>6,963</u>

Factors that may affect future tax charges:

A change to the future UK corporation tax rate was substantively enacted on 17 March 2020. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This is the rate that deferred tax assets and liabilities have been calculated. The Company has an unrecorded deferred tax asset of approximately £435,000 (2019 - £171,000) which has been calculated based at the tax rate of 19% (2019 – 17%) substantively enacted at the balance sheet date.

## Notes to the financial statements

For the year ended 30 June 2020

### 9 Tangible fixed assets

	Land & Buildings	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Construction in progress	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 2 July 2019	24,506,123	5,270,695	2,350,687	128,606	141,925	32,398,036
Additions	-	133,734	19,058	-	238,197	390,989
Transfers	-	152,515	30,725	-	(183,240)	-
Disposal	-	-	-	(19,800)	-	(19,800)
At 30 June 2020	<u>24,506,123</u>	<u>5,556,944</u>	<u>2,400,470</u>	<u>108,806</u>	<u>196,882</u>	<u>32,769,225</u>
<b>Depreciation</b>						
At 2 July 2019	1,564,821	4,769,010	2,086,393	63,807	-	8,484,031
Charge for period	337,641	219,792	77,495	15,419	-	650,347
Disposal	-	-	-	(13,200)	-	(13,200)
At 30 June 2020	<u>1,902,462</u>	<u>4,988,802</u>	<u>2,163,888</u>	<u>66,026</u>	<u>-</u>	<u>9,121,178</u>
<b>Net Book Value</b>						
At 30 June 2020	<u>22,603,661</u>	<u>568,142</u>	<u>236,582</u>	<u>42,780</u>	<u>196,882</u>	<u>23,648,047</u>
At 2 July 2019	<u>22,941,302</u>	<u>501,685</u>	<u>264,294</u>	<u>64,799</u>	<u>141,925</u>	<u>23,914,005</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 £53,155 (2019 - £63,684) in respect of assets acquired under Finance Leases. Depreciation for the year on those assets was £10,529 (2019 - £10,528).

## Notes to the financial statements

For the year ended 30 June 2020

### 10 Intangible fixed assets

Costs relating to Player contracts, Players' Agents and fees

	£
<b>Cost</b>	
At 2 July 2019	1,577,488
Additions	103,018
Disposals	<u>(51,400)</u>
At 30 June 2020	<u><u>1,629,106</u></u>
<b>Amortisation</b>	
At 2 July 2019	410,228
Charge for period	505,691
Disposals	<u>(18,838)</u>
At 30 June 2020	<u><u>897,081</u></u>
<b>Net Book Value</b>	
At 30 June 2020	<u><u>732,025</u></u>
At 2 July 2019	<u><u>1,167,260</u></u>

### 11 Investments

	2020	2019
	£	£
Investment in subsidiaries	<u>1</u>	<u>-</u>
	<u><u>1</u></u>	<u><u>-</u></u>

Investments are stated at cost less historical impairment. The investment is related to Hibernian Business Limited, which is a dormant company, that was incorporated for future use as a financing company for business ventures. The Company directly owns 100% of the ordinary shares of Hibernian Business Limited, which has a registered address of Easter Road Stadium, 12 Albion Place, Edinburgh, EH7 5QG.

### 12 Stock

	2020	2019
	£	£
Catering stock	<u>13,085</u>	<u>6,702</u>
	<u><u>13,085</u></u>	<u><u>6,702</u></u>

### 13 Debtors

	2020	2019
	£	£
Trade debtors	540,663	1,235,334
Prepayments and accrued income	<u>1,176,782</u>	<u>1,440,420</u>
	<u><u>1,717,445</u></u>	<u><u>2,675,754</u></u>

## Notes to the financial statements

For the year ended 30 June 2020

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

	2020	2019
	£	£
Trade creditors	767,019	624,654
Accruals	1,155,963	2,201,312
Deferred income	3,332,484	3,579,745
Taxation and social security	1,365,464	945,587
Finance lease creditor	17,790	19,370
Corporation tax	20,964	11,617
	<u>6,659,684</u>	<u>7,382,285</u>

Deferred income is inclusive of £438,615 (2019: £457,495) that will be released after more than one year.

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

	2020	2019
	£	£
Accruals	163,800	-
Finance lease creditor	<u>12,496</u>	<u>30,293</u>
	<u>176,296</u>	<u>30,293</u>

### 16 Share capital

	2020	2019
	£	£
Allotted, called-up and fully paid:		
125,000,000 (2019 – 125,000,000) Ordinary Shares of 2p each	<u>2,500,000</u>	<u>2,500,000</u>

### 17 Operating Leases

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

	2020	2019
	£	£
Operating lease payments due:		
Within one year	7,083	15,749
In the second to fifth year inclusive	34,742	6,412
Over five years	-	-
	<u>41,825</u>	<u>22,161</u>

During the year £15,749 was recognised as an expense in the profit and loss account in respect of operating leases (2019 - £40,101).

## Notes to the financial statements

For the year ended 30 June 2020

### 18 Parent company

The Company is a subsidiary undertaking of Bydand Sports, LLC, whose registered office is at 251 Little Falls Drive, Wilmington, County of New Castle, Delaware 19808, USA. Bydand Sports, LLC is 100% owned by Bydand Enterprises, LLC, the beneficial owner of 100% of the shares of which is Ronald Gordon. The results of these entities are not available to the public, and therefore the Company is not included in the consolidated results of its parent company. The Company is owned 67.2% by Bydand Sports, LLC, 15.5% by Hibernian Supporters Limited, and 17.3% from other minority shareholders.

At 30 June 2020 there was no sum due to/from Bydand Sports, LLC (2019 – nil).

### 19 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 £nil were made to the Foundation during the year (2019 - £4,547) and costs of £31,894 were charged to the Foundation by the Company during the year (2019 – £4,298).

The key management personnel of the Company comprises its executive directors and certain members of senior management involved in football operations for the year ended 30 June, 2020. For the year ended July 2, 2019 senior management responsible for each area of the business were also included within key management personnel. The total remuneration of key management in the year amounted to £332,395 (2019 - £787,087).

### 20 Accounting estimates and judgements

The directors believe that there are no areas of significant judgement or estimation uncertainty which affect the financial statements.

### 21 Analysis of cash flows

	2020	2019
	£	£
Returns on investment and servicing of financing		
Interest received	7,746	9,493
Interest paid	(3,308)	(5,235)
	<u>4,438</u>	<u>4,258</u>
Financing		
Issue of Ordinary shares	-	1,430,000
Mortgage repayments	-	(1,219,649)
Finance lease payments	(19,377)	(18,694)
	<u>(19,377)</u>	<u>191,657</u>

### 22 Subsequent events

In February 2021 the Company entered into a lending facility agreement with The Scottish Ministers and requested to drawdown a loan amounting to £1,818,000. The loan carries a 20 year term and bears no interest, with repayments starting in September 2022. The amounts were received on 26 February, 2021.