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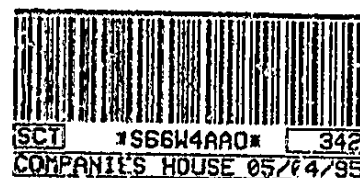


SC5323

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C



DIRECTORS



ADVISERS

DIRECTORS-EXECUTIVE

Douglas Cromb (Chairman)
Kenny McLean

DIRECTORS-NON EXECUTIVE

Robert Huthersall
Allan Munro
Tom O'Malley
Ian Brennan

SECRETARY

Cecil Graham

MANAGER

Alex Miller

REGISTERED OFFICE

Easter Road Stadium
Edinburgh
EH7 5QG
Telephone: 0131 661 2159
Facsimile: 0131 659 6488

Auditors

Arthur Andersen
18 Charlotte Square
Edinburgh
EH2 4DF

Solicitors

Orr MacQueen
36 Heriot Row
Edinburgh
EH3 6FS

Bankers

Bank of Scotland
61 Leith Walk
Edinburgh
EH6 8LS

Financial Advisers

Quayle Munro Limited
42 Charlotte Square
Edinburgh
EH2 4HQ

Registered in Scotland SC005323

The CHAIRMAN'S STATEMENT



A few years ago, when the Club was on the brink, few could have envisaged the progress that has been made since. Hard work, resolve and commitment have placed the Club back among the main challengers for honours in Scotland. But we are not yet satisfied and continue to pursue greater heights for the Club. 1993/94 represented another significant step towards our goal of restoring this Club to its rightful place amongst football's elite. I have great pleasure therefore in presenting a report on this latest financial year.

FINANCIAL RESULTS

I am pleased to report that for the financial year ended 31 July 1994 turnover rose by approximately 20% to £2,347,834 (1993 - £1,961,017), resulting in a profit before transfer fees of £98,915 (1993 - loss £225,083). During the year there were net transfer fees payable of £122,500 (1993 - net receivable £279,440), which resulted in a loss for the year of £23,585 (1993 - profit £54,357).

SEASON 1993/94 - ON THE PARK

It is a measure of our progress that we once again expect to win trophies at this Club. In 1993/94 we came close to winning our second League Cup in three years but, despite playing well, lost out by a single goal in the final. Our impressive early season form saw us top the Premier Division in mid-October, having scored memorable victories in the process.

After the League Cup Final defeat we struggled to maintain our form in the second quarter of the season. A resurgence during the winter months

saw Hibs back in contention and amongst the favourites for a European place. But injuries and suspensions to key players contributed to an end of season which was disappointing by our standards.

There was however much to celebrate about last season. New players Jim Leighton, Michael O'Neill and Kevin McAllister demonstrated that each one of them represents a sound investment by the Club. A total of 64 first team goals was shared among 15 players in 36 competitions. Perhaps most importantly the team played some of the finest football seen at Easter Road for many years.

Mindful that consistency is the key to success, we are working hard to develop a winning attitude throughout the Club. By prudent investments we will, whenever possible, continue to strengthen our squad with quality players. Season 1993/94 has showed however that we have at this Club a nucleus of a squad capable of challenging for every domestic honour.

SPONSORS

We kicked off the 1994/95 season with our two most lucrative sponsorship signings yet. The team will play throughout the season in strips supplied by Mitre Sports International and emblazoned with the logo 'Calor'.



GARETH EVANS
HIBS V SHEFFIELD WEDNESDAY
2 August 1994



DARRIN JACKSON
HIBS V ABERDEEN
10 September 1994

Our agreement with Mitre is for four years and our initial agreement with Calor Gas was for one year, however, this has recently been extended to cover a further year. We are delighted to welcome both and look forward to a highly successful and profitable association with them.

CLUB 86

Club 86 contributed a total of £72,000 to the Club's youth development policy during the financial year. The membership has grown from 630 to 850 and looks set to reach our target of 1,000 members by the end of season 1994/95. Members will be happy to see that their investments are reaping returns for the Club, with the emergence of Chris Jackson, Kevin Harper and Graeme Love as regular contenders for first team places. They are the early fruits of a rich crop of youngsters being nurtured at this Club and we are confident they will be joined by other talented youngsters who will experience top team action in future seasons.

HIBS POOL

Hibs Hat Trick continues to be a source of revenue to the Club, contributing £70,000 during the financial year - an improvement of £10,000 on the previous year. Many thanks to Ian Brennan for his leadership in this field and to our agents for all their hard work on the Club's behalf.

WELCOME TO THE FUTURE

Our links with the community are a considerable strength and through the work of SFA Community Coach Peter Breda, who has through a range of coaching schemes brought a combination of fun and skill development to youngsters starting out in the game. It is hundreds of boys and girls benefited from a variety of coaching courses throughout the year. The Hibernian Merit Award Scheme used football as a vehicle to promote good behaviour in primary schools with player visits, competitions and coaching events. Football coaches were given special tuition, helping to ensure the future health of the sport in the city. Hibernian remains the only Premier Division club to sponsor the Duke of Edinburgh Award Scheme and in 1993/94 five of our young supporters qualified for their bronze badge.

LOOKING FORWARD

It is difficult to be anything other than optimistic about 1994/95 and beyond. We have a talented squad of players and a rich seam of young talent ready to advance their prospects in the game. Our season ticket sales continue to rise. Sound financial management is laying a firm foundation

for the future. The support and enthusiasm of our community is a vital ingredient in achieving our aims. We are proud to be part of the community and we look forward to continuing our work in the future.

FINANCIAL

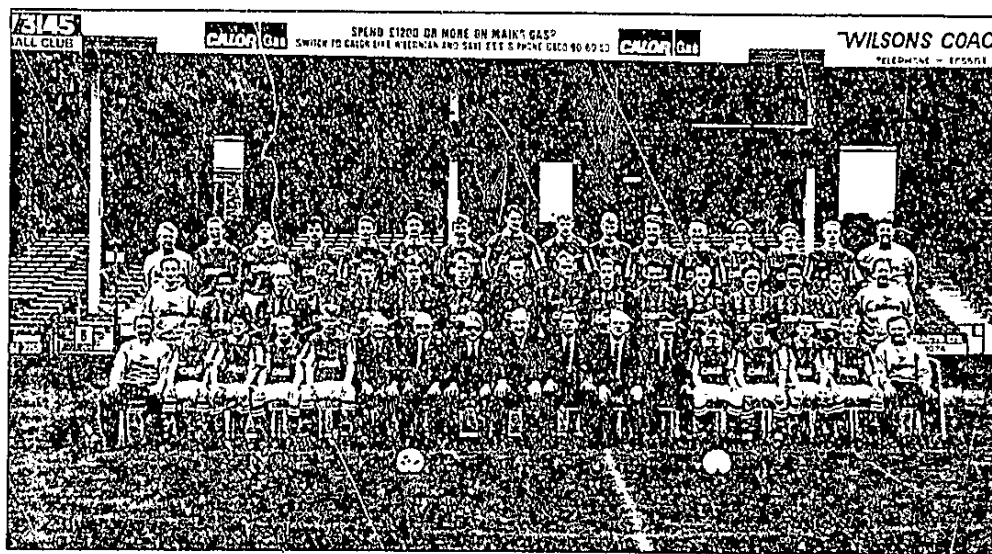
Thanks for the support and advice granted to me Board of Directors, management and staff and to our supporters whose continual backing and belief remain a cornerstone of Hibernian's success both on and off the park.

Douglas Cromb

Douglas Cromb
Chairman

15 February 1995

Douglas Cromb



THE TEAM
October 1994



REPORT

THE

DIRECTORS

FOR THE YEAR ENDED 31 JULY 1994

The Directors present their annual report and the audited financial statements for the year ended 31 July 1994.

The Directors and their families have the following beneficial interests in the ordinary shares of the company:

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

A review of the activities and operating results is set out in the Chairman's Statement.

PROPOSED DIVIDEND

The profit and loss account for the year is set out on page 9. The Directors do not recommend the payment of a dividend (1993 - £nil).

FIXED ASSETS

The movement in fixed assets during the year is set out in note 11 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year were:

Executive	D Cromb (<i>Chairman</i>)
	K McLean
Non Executive	R Huthersall
	A Munro
	T O'Malley
	I Brennan (<i>appointed</i> <i>26 October 1993</i>)

15 February 1995 and

	31 July 1994	31 July 1993
D Cromb	5,000	5,000
K McLean	5,000	5,000
R Huthersall	5,000	5,000
A Munro	15,000	15,000
T O'Malley	5,000	5,000
I Brennan	5,000	5,000

EMPLOYEES

It is the company's policy to consult and discuss with employees any matters likely to affect their interests. The company gives full and sympathetic consideration to the employment, training, career development and promotion of disabled persons including those becoming disabled after their employment has commenced.

PLAYERS

The Directors place a valuation in excess of £5.9 million on the playing staff, however, in common with the majority of other football clubs, transfer fees are dealt with through the profit and loss account in the financial year in which they arise and the valuation is not reflected as an asset in the balance sheet.

If the valuation was included in the balance sheet, net assets would be in excess of £4.7 million (£3.6 million net of tax which would arise on the sale of the playing staff for £5.9 million).

REPORT THE DIRECTORS

FOR THE YEAR ENDED 31 JULY 1994

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which 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 year. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

AUDITORS

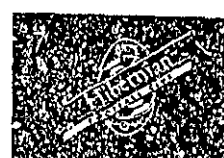
The Directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

By Order of the Board



Cecil Graham
Secretary

Easter Road Stadium
Edinburgh EH7 5QG
15 February 1995



REPORT THE AUDITORS

TO THE SHAREHOLDERS OF
THE HIBERNIAN FOOTBALL CLUB LIMITED

We have audited the financial statements on pages 9 to 19 which have been prepared under the historical cost convention and the accounting policies set out in note 2.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Directors' report on pages 6 and 7 the company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We draw attention to notes 1 and 24 which contain important information regarding the basis of preparing the accounts. These notes explain the Directors' view that despite the company having a capital deficit, net current liabilities and currently being in the process of raising new financing facilities to fund ongoing working capital requirements and the redevelopment of Easter Road Stadium, they are satisfied that the preparation of the accounts on a going concern basis is appropriate. Their opinion is that current financing facilities along with the ability to generate additional income if necessary, are sufficient to meet the company's trading requirements, and that they anticipate being able to raise sufficient additional financing facilities to fully fund the redevelopment of Easter Road Stadium. Should the company be unable to meet its liabilities as they fall due then adjustments may be necessary to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which may arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities. Our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 July 1994 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

18 Charlotte Square Edinburgh EH2 4DF

15 February 1995

Arthur Andersen

P R O F I T

L O S S

A C C O U N T

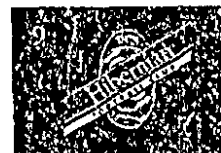
FOR THE YEAR ENDED 31 JULY 1994

	Notes	1994 £	1993 £
TURNOVER	3	2,347,834	1,961,017
Operating expenses	4	(2,233,966)	(2,157,551)
OPERATING PROFIT (LOSS)		113,868	(196,534)
Interest	5	(14,953)	(28,540)
PROFIT (LOSS) BEFORE TRANSFER FEES		98,915	(225,083)
Net transfer fees (payable) receivable	6	(122,500)	279,440
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(23,585)	54,357
Taxation	10	—	—
(LOSS) PROFIT FOR THE FINANCIAL YEAR	19	(23,585)	54,357

A statement of movements on reserves is given in note 19.

As permitted by Financial Reporting Standard 3 "Reporting Financial Performance" the company has not prepared a Statement of Total Recognised Gains and Losses, a Note of Historical Cost Profits and Losses and a Reconciliation of Movements in Shareholders' Funds as it has no recognised gains or losses other than the loss for the financial year.

The notes on pages 12 to 19 form part of these financial statements



BALANCE SHEET

AS AT 31 JULY 1994

	Notes	1994 £	1993 £
FIXED ASSETS			
Tangible assets	11	262,323	50,475
Investments	12	2	—
		<u>262,325</u>	<u>50,475</u>
CURRENT ASSETS			
Stocks	13	9,392	9,381
Debtors	14	535,955	741,381
Cash at bank and in hand		1,253	6,693
		<u>546,600</u>	<u>757,455</u>
CREDITORS: Amounts falling due within one year	15	(1,319,747)	(1,291,062)
NET CURRENT LIABILITIES		<u>(773,147)</u>	<u>(533,607)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(510,822)</u>	<u>(483,132)</u>
CREDITORS: Amounts falling due after more than one year	16	(643,079)	(647,184)
NET LIABILITIES		<u>(1,153,901)</u>	<u>(1,130,316)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	18	500,000	500,000
Profit and loss account	19	(1,653,901)	(1,630,316)
CAPITAL DEFICIT		<u>(1,153,901)</u>	<u>(1,130,316)</u>

APPROVED BY THE BOARD ON 15 FEBRUARY 1995

Douglas Cromb

Robert Huthersall

Douglas Cromb
Director

Robert Huthersall
Director

Douglas Cromb

[Signature]

The notes on pages 12 to 19 form part of these financial statements


CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 1994

	Notes	1994 £	1994 £	1993 £	1993 £
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	21		73,457		(237,834)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest paid			(19,853)		(23,649)
INVESTING ACTIVITIES					
Payments to acquire tangible fixed assets		(185,688)		(4,831)	
Receipts from sales of tangible fixed assets		—		235	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(185,688)		(4,596)
NET CASH OUTFLOW BEFORE FINANCING			(132,084)		(266,079)
FINANCING					
Payments on hire purchase loans		(4,105)		(4,106)	
NET CASH OUTFLOW FROM FINANCING			(4,105)		(4,106)
DECREASE IN CASH AND CASH EQUIVALENTS	22		(136,189)		(270,185)

The notes on pages 12 to 19 form part of these financial statements





NOTES *to the* FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1994

1. BASIS OF PREPARATION OF ACCOUNTS

The financial statements show an accumulated deficit, net current liabilities and a loss for the financial year after transfer fees. The Directors consider that current financing facilities are sufficient to meet trading requirements in the foreseeable future, taking account of anticipated gate receipts and the ability to generate income through the transfer of existing players' registrations to other clubs if required. Additional anticipated commitments relating to implementing the recommendations of the Taylor Report are outlined in note 24, together with funding methods proposed by the Directors. Accordingly, the financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, is set out below.

A) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention, and in accordance with applicable Accounting Standards. The company is exempt from the requirement to prepare consolidated accounts, as it is a subsidiary of HFC Holdings Limited which prepares consolidated accounts, and therefore meets the requirement for exemption set out in sub-sections 228(i) and 228(ii) of the Companies Act 1985.

B) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, at the following rates per annum:

Plant and equipment	10%
Motor vehicles	20%
Leasehold ground improvements	Over period of lease (or shorter period as appropriate)

C) THE FOOTBALL TRUST GRANTS

Grants received from The Football Trust are treated as income and are taken to the profit and loss account in the same period as the related stadium improvements (if these

are not capitalised). Grants are accounted for once the related expenditure has been verified and the relevant Auditors' Certificate has been completed.

D) STOCKS

Stocks are stated at the lower of cost and net realisable value.

E) TRANSFER FEES

Transfer fees payable and receivable are included in the profit and loss account in the year in which the transfer contract is signed.

F) SIGNING-ON FEES

Signing-on fees payable to players are charged to the profit and loss account over the period of the contract to which they relate.

G) LEASES AND HIRE PURCHASE TRANSACTIONS

Assets held under hire purchase agreements are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over its useful life. Finance charges are allocated to accounting periods over the period of the agreement to produce a constant rate of return on the outstanding balance. Payments are apportioned between finance charges and reduction of the liability as appropriate.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

H) TURNOVER

Turnover represents gate receipts and other related income from the operation of a professional football club.

I) TAXATION

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

J) PENSIONS

The company operates a defined contribution pension scheme for certain members of staff. The charge for pension cost represents contributions payable by the company for the year.

3. SEGMENT INFORMATION

In the Directors' opinion the company has only one class of business, the running of a professional football club.

NOTES to the FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1994

	1994	1993
	£	£
4. OPERATING EXPENSES		
Staff costs (notes 8 & 9)	1,493,415	1,450,705
Administration expenses	740,551	706,846
	<u>2,233,966</u>	<u>2,157,551</u>

	1994	1993
	£	£
5. INTEREST		
INTEREST PAYABLE:		
Hire purchase	(1,642)	(1,642)
Bank	(13,662)	(22,502)
Loan stock 2001 (note 16)	—	(4,900)
	<u>(15,304)</u>	<u>(29,044)</u>
INTEREST RECEIVABLE:		
Bank	351	495
Interest payable	<u>(14,953)</u>	<u>(28,549)</u>

	1994	1993
	£	£
6. NET TRANSFER FEES (PAYABLE) RECEIVABLE		
Transfer fees receivable	125,000	530,000
Transfer fees payable	(247,500)	(250,560)
	<u>(122,500)</u>	<u>279,440</u>

7. (LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1994	1993
	£	£
THE (LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION IS STATED AFTER CHARGING:		
Auditors' remuneration	9,000	7,500
Depreciation	9,802	9,812
Operating lease rentals		
- property	75,000	75,000
Loss on sale of fixed assets	—	455
Amount written off investment (note 12)	—	26,000
Staff costs (note 8)	<u>1,493,415</u>	<u>1,450,705</u>

Football Trust Grants receivable during the current year amount to £nil (1993 - £2,900).

In addition to the auditors' remuneration shown above the remuneration of the auditors during the year ended 31 July 1994 for non-audit services was £2,500 (1993 - £3,000).

NOTES to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1994

8. EMPLOYEE INFORMATION

A) THE AVERAGE NUMBER OF PERSONS EMPLOYED BY THE COMPANY DURING THE YEAR, INCLUDING EXECUTIVE DIRECTORS, IS ANALYSED BELOW:

	1994 Number	1993 Number
Players	37	42
Administrative	15	14
	<u>52</u>	<u>56</u>
	1994	1993
	£	£

B) STAFF COSTS FOR THE ABOVE PERSONS:

Wages and salaries		
- players	1,032,910	1,046,732
- administrative	325,875	286,583
Social security costs	128,833	115,218
Pension costs	5,797	2,172
	<u>1,493,415</u>	<u>1,450,705</u>

9. DIRECTORS' EMOLUMENTS

EMOLUMENTS OF DIRECTORS (INCLUDING PENSION CONTRIBUTIONS):

	1994 £	1993 £
Fees as Directors	26,491	26,416
Fees paid to third parties in respect of Directors' services	12,000	5,000
	<u>38,491</u>	<u>31,416</u>

DIRECTORS' EMOLUMENTS SHOWN ABOVE (EXCLUDING PENSION CONTRIBUTIONS) INCLUDE:

The Chairman	12,000	5,000
The highest paid Director	26,491	26,416

NUMBER OF DIRECTORS WHOSE EMOLUMENTS WERE WITHIN THE RANGES:

	1994 Number	1993 Number
£nil to £5,000	4	4
£10,001 to £15,000	1	—
£25,001 to £30,000	1	1

10. TAXATION

There is no corporation tax payable on the loss for the year (1993 - £nil). The company has losses estimated at £2.6 million (1993 - £2.5 million) available to carry forward and offset against future taxable trading profits.

NOTES to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1994

11. TANGIBLE FIXED ASSETS	£	£	£	£
	<i>Leasehold ground improvements</i>	<i>Plant and Equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
COST				
At 1 August 1993	—	64,129	24,310	88,439
Additions	214,774	2,376	4,500	221,650
At 31 July 1994	214,774	66,505	28,810	310,089
DEPRECIATION				
At 1 August 1993	—	31,079	6,865	37,964
Charge	—	4,942	4,860	9,802
At 31 July 1994	—	36,021	11,745	47,766
NET BOOK VALUE				
At 31 July 1994	214,774	30,484	17,065	262,323
At 1 August 1993	—	33,050	17,425	50,475

Leasehold ground improvements relate to the cost of seating installed in Easter Road Stadium during the year, which will be used from the 1994/95 season onwards, and will be retained after the redevelopment of Easter Road Stadium (note 24).

The net book value of tangible fixed assets includes an amount of £17,065 (1993 - £17,425) in respect of motor vehicles held under hire purchase contracts.

12. INVESTMENTS	£
COST	
At 1 August 1993	26,000
Acquired in year	2
At 31 July 1994	26,002
AMOUNTS WRITTEN OFF	
At 1 August 1993	26,000
Written off in year	—
At 31 July 1994	26,000
NET BOOK VALUE	
At 31 July 1994	2
At 1 August 1993	—

The company owns one share in the Scottish Super League Limited, which cost £26,000, and was fully provided for in the prior year. The investment acquired in the year represents 100% of the issued share capital of Hibernian Financial Services Limited, a company which is an appointed representative of the London and Manchester Marketing Group, and is involved in the marketing of financial products to supporters of Hibernian Football Club.





NOTES to the FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1994

	1994	1993
	£	£
13. STOCKS		
Goods for re-sale	5,392	2,381

	1994	1993
	£	£
14. DEBTORS		
Other debtors	140,467	81,978
Transfer fees receivable	50,000	525,000
Signing-on fees prepaid	148,951	127,153
Leasehold ground improvements	182,710	—
Prepayments and accrued income	13,827	7,250
	535,955	741,381

Leasehold ground improvements relate to the cost of seating installed in Easter Road Stadium during the year, which will be used during the 1994/95 football season and will then be replaced as part of the proposed redevelopment of Easter Road Stadium. This cost will therefore be fully written off to the profit and loss account during the year ending 31 July 1995 (note 24).

	1994	1993
	£	£
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank overdraft	402,246	271,497
Trade creditors	10,634	39,397
Other creditors	10,419	14,394
Transfer fees payable	—	235,000
Taxation and social security	97,894	126,516
Accruals and deferred income	794,447	589,803
Hire purchase creditors	4,105	4,106
Amounts due to other group undertakings	2	10,349
	1,319,747	1,291,062

	1994	1993
	£	£
16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Hire purchase creditors	3,079	7,184
Amounts due to parent company	150,000	150,000
Repayable otherwise than by installments in more than five years:		
Loan stock 2001	490,000	490,000
	643,079	647,184

The loan stock bears a variable rate of interest linked to net realisations on transfers (ranging from nil % for net realisations up to £100,000 to 5% for net realisations in excess of £500,000) and is secured by a floating charge over all the assets of the company. The loan stock is repayable to the Bank of Scotland and the principal shareholder in the holding company.

NOTES to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1994

17. DEFERRED TAXATION

There was no potential deferred taxation liability at 31 July 1994 (1993 - £23).

	1994	1993
	£	£
18. CALLED-UP EQUITY SHARE CAPITAL		
Authorised, allotted, called-up and fully paid:		
25,000,000 ordinary shares of 2p each		
(1993 - 25,000,000 ordinary shares of 2p each)	500,000	500,000

Share capital consists entirely of equity shares.

	1994	1993
	£	£
19. PROFIT AND LOSS ACCOUNT		
ACCUMULATED LOSSES AT 1 AUGUST 1993	(1,630,316)	(1,684,673)
(Loss) profit for the financial year	(23,585)	54,357
ACCUMULATED LOSSES AT 31 JULY 1994	(1,653,901)	(1,630,316)

20. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

A) CAPITAL COMMITMENTS

At the beginning and end of the year the company had no capital commitments.

	1994	1993
	£	£
B) LEASE COMMITMENTS		
The company has annual commitments in respect of operating leases which may be analysed as follows:		
Lease of Easter Road Stadium expiring after 5 years	75,000	75,000

Easter Road Stadium is retained on a full repairing and insuring lease from a property company connected with the principal shareholder in the holding company. The rent payable is subject to renegotiation at dates specified in the lease.

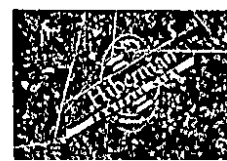
C) CONTINGENT LIABILITIES

The company has provided a bond and floating charge to the Bank of Scotland in relation to all sums payable to the bank. The operation of this security is subject to a ranking agreement between the company, the Bank of Scotland and the principal shareholder in the holding company.

A portion of the grants received from the Football Ground Improvement Trust may become repayable - at the Trust's discretion - in the event that the Club moves from Easter Road Stadium.

D) VAT

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group, and failure by other members of the group would give rise to additional liabilities for the company.



NOTES to the FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JULY 1994**

E) PLAYER RELATED MATTERS

All signing-on fees and other amounts payable to playing staff earned by the year end have been provided in the financial statements. In addition, the company is committed to £73,000 (1993 - £127,600) of deferred signing-on fees which become payable to those players that stay with the Club for the duration of their current contracts.

Additional transfer fees of £55,000 (1993 - £53,000) are payable should certain players be selected at international level.

21. RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	1994 £	1993 £
Operating profit (loss)	113,868	(196,534)
Transfer fees (payable) receivable	(122,500)	279,440
Loss on disposal of tangible fixed assets	—	455
Increase in stocks	(11)	(6,024)
Decrease (increase) in debtors	205,426	(358,794)
(Decrease) increase in creditors	(133,128)	33,811
Depreciation charges	9,802	9,812
Net cash inflow (outflow) from operating activities	73,457	(237,834)

22. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1994 £	1993 £
Balance at 1 August 1993	(264,804)	5,381
Net cash outflow	(136,189)	(270,185)
Balance at 31 July 1994 (note 23)	(400,993)	(264,804)

23. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET	1994 £	1993 £	Change in year £
Cash at bank and in hand	1,253	6,693	(5,440)
Bank overdraft	(402,246)	(271,497)	(130,749)
	(400,993)	(264,804)	(136,189)

24. THE TAYLOR REPORT

The Taylor Report requires Scottish premier league clubs to have all-seated stadia. The Directors have been examining the best course of action for the Club and have concluded that phased redevelopment of the existing Easter Road Stadium will best achieve the objectives of the Club, the supporters and the Club's financial backers. Discussions are taking place with the Club's bankers and the Club's supporters have been asked to make a financial donation toward the redevelopment costs. The Directors anticipate that the full funding can be derived from these sources and expect construction work to begin in March 1995. In addition, working capital facilities will be established to meet the Club's requirements for the foreseeable future. On this basis, the Directors believe that the Club can meet its financial commitments in the future including those relating to the Taylor Report.

NOTES to the FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1994

25. SUBSEQUENT EVENTS

Subsequent to 31 July 1994 several players have renewed their contracts with the company, and as a result of this and new signings subsequent to 31 July 1994 the company is committed to a further £157,000 of signing on fees which will be payable if the players concerned stay with the Club for the duration of their contracts.

On 1 November 1994 the company agreed to pay a fee of £420,000 to secure the transfer of Patrick McGinlay from The Celtic Football and Athletic Company Limited.

On 1 January 1995 Brian Hamilton signed under freedom of contract for Heart of Midlothian Football Club plc, the fee receivable by the company will be established by a Compensation Tribunal of the Scottish Football League. Under the terms of this players' transfer to the company, 25% of any transfer fee received in excess of £275,000 is payable to St. Mirren Football Club Limited.

26. RELATED PARTY TRANSACTIONS

Mr K McLean is a shareholder in Carricknowe Building Services Limited. During the year, the company paid approximately £320,000 for services provided by Carricknowe Building Services Limited in connection with the installation of seating at Easter Road Stadium.

27. HOLDING COMPANY

The company is a subsidiary undertaking of HFC Holdings Limited, which is incorporated in Scotland. The only group in which the results of the company are consolidated is that headed by HFC Holdings Limited, whose principal place of business is 36 Heriot Row, Edinburgh EH3 6ES.



NOTICE



MEETING

Notice is hereby given that the Annual General Meeting will be held in The Portobello Town Hall, Portobello High Street, Edinburgh EH15 1AF on 23 March 1995 at 7.30 pm for the following purposes.

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 July 1994, together with the Report of the Auditors.
2. To re-appoint Arthur Andersen as auditors and to authorise the Directors to fix their remuneration.
3. To transact any other ordinary business of the company.

By Order of the Board

Cecil Graham
Secretary
15 February 1995

Easter Road Stadium
Edinburgh EH7 5QG

Note: Ordinary shareholders of the company entitled to attend and vote at the meeting may appoint a proxy to attend and vote on a poll on their behalf. The proxy need not be a shareholder of the company. A form of proxy is included with the Annual Report for the use of members who are unable to attend the meeting. To be effective this must be deposited at the company's registered office not later than 48 hours before the meeting.