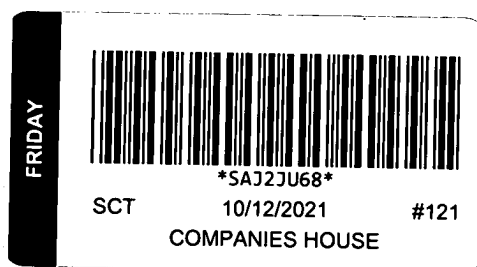


Company Registration No. SC005863 (Scotland)

HEART OF MIDLOTHIAN PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021



COMPANIES HOUSE

10 DEC 2021

EDINBURGH MAILBOX

HEART OF MIDLOTHIAN PLC

COMPANY INFORMATION

Directors	Dr A Budge D Cumming J Duncan S Wallace K D Windram A McKinlay J Anderson	(Appointed 17 August 2020) (Appointed 1 July 2021)
Secretary	J Duncan	
Company number	SC005863	
Registered office	Collins House Rutland Square Edinburgh EH1 2AA	
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE	
Business address	Tynecastle Park Gorgie Road Edinburgh EH11 2NL	

HEART OF MIDLOTHIAN PLC

CONTENTS

	Page
Strategic report	1 - 4
Corporate and Social Responsibility Statement	5 - 7
Directors' report	8 - 9
Independent auditor's report	10 - 13
Profit and loss account	14
Balance sheet	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18 - 38

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present the strategic report for the year ended 30 June 2021.

Fair Review of the Business

Overview

In a climate where lock-down constraints and the absence of fans would have a huge impact on all income streams, the Board agreed a Financial Plan for Year 20/21 which anticipated a significant drop in revenue and a financial loss across the year. While the assumptions underpinning that plan were very conservative, the impact of Covid was even greater than expected.

All games across the season were played 'behind closed doors', heavily impacting our ticketing, commercial and retail income; and a second extended lock-down caused serious disruption to our non-matchday operations, including our Conference and Banqueting business, our Skyline Restaurant and our Supporters Bar.

The Covid-19 restrictions, coupled with the financial consequences of our enforced demotion to the Championship, saw our turnover reduced to £7.7m for the financial year. This fall in income was, to some extent, off-set by Government support schemes, such as the Furlough Scheme, COVID related grants from the Scottish Government and SPFL Trust, and Player Sales. However, it was in large part thanks to the unwavering support of our fans, our sponsors, our benefactors and our staff that we are able to report a profit of around £2m despite all of the challenges.

In short, while this was an even more difficult year than could reasonably have been foreseen, we have come through it in good shape and ready to move forward with confidence.

Governance Matters

In August 2020, Andrew McKinlay was appointed Chief Executive with a seat on the Board, assuming full operational control in May 2021.

At the AGM, in December 2020, Eric Hogg stood down from his non-executive Director role, after 6 years. In May 2021, it was announced that James Anderson would fill the vacancy on the Board, joining as a non-executive Director in July 2021.

The Board would like to express its enormous gratitude to Eric for his total commitment, loyal support, and valuable contribution over his time on the Board. We would also like to wish Andrew and James every success in their roles, confident that they will play a major part in helping us move the club forward.

Footballing Operation

The Championship Season got underway in October, with Clubs having voted in favour of a shortened season of 27 games. Playing games behind closed doors brought challenges for both players and staff alike. The effort required to keep our players and staff safe while adhering to the ever-changing protocols cannot be over-stated. We were not alone in facing these challenges, of course, and we appreciate the efforts from all SPFL clubs, their staff, and their players, to do what was required to ensure that the season could be played to a conclusion.

That conclusion saw us rightly take our place back in the Scottish Premiership. We congratulate Robbie Neilson, the squad, and the backroom team on their achievement, made all the more noteworthy given the circumstances.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Fair Review of the Business (Continued)

In December 2020, we announced the appointment of Joe Savage as Sporting Director, a position we had been looking to fill for some time and which had been delayed by the pandemic. Joe joined us in January, bringing with him valuable player recruitment experience. The January transfer window saw Joe and Robbie work closely together to strengthen the squad in readiness for our Premiership return.

A long-stated objective is to build a squad, based on youth, both "home-grown" via our Academy and via the transfer market. We are confident that our new recruitment team has the experience to successfully deliver against this key objective.

This year also saw changes to personnel and processes in our Academy, our Youth Development programmes and our Women's football programme as they, too, dealt with Covid-related challenges and constraints. Our commitment to youth and to the women's game remains as strong as ever and we are well-positioned to move forward successfully in each of these areas in Season 21/22.

Commercial Operations

All commercial areas faced major challenges as we adapted to an ever-changing landscape. The fans stood firmly behind us throughout the season. They supported our hospitality offerings when we were able to open; our on-line and click and collect retail operation; our streaming and pay-per-view offerings; and our zoom-based sponsorship packages. In addition, despite the continued uncertainty over what Season 21/22 might look like, when Season Tickets for the new season went on sale, the fans' response was over-whelming, with over 13,000 tickets sold.

Other Highlights

Once again, the Club sought out an innovative way of securing sponsorship funding whilst providing a platform for a cause that is dear to supporters' hearts.

Following our ground-breaking partnership with Save the Children, the Club was delighted to secure a landmark sponsorship deal with Dell Technologies, which will see the team sporting another amazing charity on their front of shirt. This new partnership will help raise awareness of the work undertaken by MND charities throughout the UK and support those living with MND in Scotland. Club legend and former captain, Marius Zaliukas, tragically lost his fight against the disease in 2020 and we could not be more proud than to have MND Scotland on our front of shirt. We thank Dell Technologies for their tremendous support in helping to make this possible.

The numbers pledging to the Foundation of Hearts did not falter during this difficult time, despite the economic challenges facing many supporters. Throughout the year, we worked closely with the Foundation board members to prepare for the day when, on 30th August 2021, Hearts became the largest fan-owned football club in the UK.

Our facilities team worked tirelessly throughout the year to ensure we would be in the best possible shape to welcome fans back to Tynecastle, when allowed to do so.

Despite having to manage cash more tightly than ever, we committed to carry out a number of sizeable infrastructure projects at a cost of £400,000. These projects included the essential replacement of our floodlights, the long overdue repainting of the trusses in each of our three older stands and a full pitch refurbishment. The Club has previously suffered when essential and preventive maintenance programmes were shelved. We will not allow this to happen again and have clear plans in place to ensure the redevelopment and upgrading of Tynecastle Stadium continues.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Fair Review of the Business (Continued)

Financials

Our financial results for the year reflect the significant impact posed by the Covid pandemic. We are nevertheless pleased to announce a profit of over £2m for the year. As is clear from our figures, our principal benefactors, once again, made a number of very generous donations. Similarly, other donations, mainly from the Foundation of Hearts, helped us enormously during this difficult year.

Our reported Turnover is £7.7m, which is down by approximately £4.6m on the prior year. This reduction has arisen because of the trading limitations placed on the business from lockdown and associated restrictions and the impact of operating within the Championship rather than the Premiership.

Throughout the year, we continued to manage our staff costs and overheads in line with the trading uncertainties prevalent throughout the period. We continued to take full advantage of the Government's Furlough scheme as clearly shown in the Profit and Loss Account. We were also grateful for the receipt of the various grants available from the Government and various sporting bodies.

We generated a net gain from the sale of players of £944k, mainly as a result of the sale of Aaron Hickey to Bologna FC.

The company's balance sheet at 30 June 2021 remains strong with net assets of approximately £20m.

Our net cash inflow during the year was just over £200k. This arose through the generation of over £220k from the sale of players, offset by payments made in connection with the purchase of fixed assets and new player registrations and a net cash inflow of approximately £500k from operating activities.

This year has been extremely challenging. However, given the swift actions taken at the start of the pandemic back in March 2020, the company was in a robust position to deal with the continuing uncertainties during season 20/21. Whilst our financial results have been impacted by the pandemic, it is nevertheless pleasing to report a profit and to continue to present a strong balance sheet.

There is no denying the financial challenges that we and football as a whole have faced due to the global pandemic. Football clubs sit at the very heart of their communities and this has never been more apparent than over the last 18 months. They have an enormously important role to play. We should all be very proud of the way we have continued to support our local community through these troubled times. Our staff and our volunteers have been amazing. This work will continue and will go from strength to strength over the coming years as we continue to put our community and our supporters at the heart of everything we do.

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

Section 172(1) Statement

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

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

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

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

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Section 172(1) Statement (Continued)

The interests of the company's employees.

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

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

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

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

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

The Board understands that the company plays a vital role in the local community. Our Corporate and Social Responsibility Statement on pages 5 to 7 detail this further.

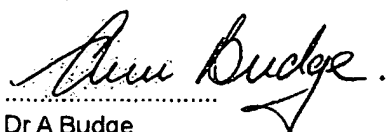
The desirability of the company maintaining a reputation for high standards of business conduct.

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

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

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

On behalf of the board



Dr A Budge

Director

16 Nov '21

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

The directors present the corporate and social responsibility statement for the year ended 30 June 2021.

Introductory Remarks

Since its inception, Heart of Midlothian Football Club has been deeply rooted in its community. Today, Hearts galvanises a passionate and committed fanbase to help provide significant outreach programmes to those most in need of help and support. Together with the Club's independently regulated charity, Big Hearts, the Club is committed to improving the lives of vulnerable individuals and families across south-west Edinburgh. Community engagement is embedded at all levels in the Club and is focused on tackling a wide range of social issues through 'on-pitch' and 'off-pitch' programmes.

The continued impact of the pandemic throughout 2020 and 2021 has had a disproportionate impact on the communities we serve, particularly those in more economically challenged areas of the city. As a focal point in the community, we have used the prominence and accessibility of the stadium to deliver a broad range of support services.

Once again, we opened our doors to those in need of assistance, to legions of volunteers who wished to lend their time and skills to our support efforts and to partners and agencies charged with delivering mass testing and vaccination programmes. Throughout the past year, we have worked with NHS Scotland to host flu and COVID vaccination clinics as well as regular PCR testing services.

At the same time, we took advantage of the vast reach of the Club in the virtual world to reach out to over 200,000 followers across our social media platforms. These platforms enabled us to raise awareness of support services on offer and at the same time, to amplify the messages of our partners in the health and social care sectors.

Big Hearts Charity and Community Football

Big Hearts swiftly adapted their activities in response to the pandemic. After hosting projects at the Stadium for the past five years, our charity's staff and volunteers developed alternative ways to address the most urgent needs of vulnerable adults and children living in south-west Edinburgh. Working hand in hand with the Club, Big Hearts was able to extend the scope of its services to reach over 8,000 people: three times more than in the previous year.

The charity found new and innovative ways to provide support. Services were transitioned online, by being on the other end of the phone or by supporting families and individuals on a one-to-one basis at home. Working in this way, the charity delivered 14 different programmes and provided 400 hours of befriending. As well as providing regular telephone contact, Big Hearts despatched over 5000 reminiscence packs to vulnerable and isolated older people and 250 family relief parcels to those who were facing economic hardship.

When restrictions eased, Big Hearts also provided a safe environment for 83 drop-in wellbeing sessions. Many of these were hosted in Big Hearts new home in "The Shed" under the Wheatfield Stand.

Over 200 volunteers from the Hearts community have supported these services. 120 of these volunteers supported "Big Hearts Delivers Christmas" ensuring that 300 people enjoyed a hot dinner on Christmas Day, by distributing pre-cooked meals. They also delivered over 1200 bespoke gifts to children and older people.

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Big Hearts Charity and Community Football (Continued)

Big Hearts continues to grow and is guided by the following principles:

- Understanding people's needs to enable them to offer appropriate support to help improve their life circumstances.
- Building and delivering programmes which address the main challenges faced by adults and children in south-west Edinburgh.
- Acting as a proactive facilitator between local organisations, available resources and the communities they serve.

Reflecting these ambitions, Big Hearts activity will continue to focus on:

- Mental health: Delivering bespoke advice and peer-support to promote positive mental health at all ages.
- Social connections: Offering a safe and welcoming environment to build meaningful social connections.
- Equal opportunities: Ensuring access to services that support a better future, regardless of individuals' background or circumstances.

Our Community Football Department responded at the earliest possible opportunity to provide a much-needed outlet for young people who had experienced unprecedented levels of restrictions as a consequence of being locked down at home, in what, for some, were harrowing conditions. Our Play the Game courses and holiday camps were enjoyed by hundreds of youngsters at Tynecastle and at Oriam and we were able to run a greatly increased programme of activities. We recognised that it had become too difficult for many to travel and "took the show on the road" to deliver courses in partnership with clubs throughout the Lothians and Borders.

Heritage Department and Innovation Centre

Our Heritage Department continued with the work of digitising our significant collection of artefacts and memorabilia. Their workload increased during the winter when our museum was flooded. This caused damage to ceilings, floors, and cabinets, but fortunately, there was no damage to our collection, which was kept in safe storage until repairs could be carried out.

2021 marked the centenary of a women's football match played at Tynecastle with Bobby Walker as referee. Shortly after that game, support for women's football was withdrawn by footballing authorities, heralding a hiatus of over half a century before the game was officially recognised by the Scottish league body again.

Our Head of Heritage and our Museum manager worked closely with the producers of A War of Two Halves to research the history of the women's game at that time. The output of this was the play "Sweet FA". The production overcame significant restrictions to enable it to be performed in front of sold-out audiences at Tynecastle Park during the 2021 Edinburgh Festival.

The Memorial Garden continued to operate on a restricted schedule during the pandemic with plaque dedication services being delivered online and a map of plaques and photographs being made available to families.

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Heritage Department and Innovation Centre (Continued)

The Heart of Midlothian Innovation Centre sponsored by Baillie Gifford and supported by Dell Technologies continued to deliver an extensive range of programmes online.

The Innovation Centre Team worked with Connect Scotland to provide devices and connectivity to those families who had no access to the internet and no facilities for children to participate in home schooling.

Working with Big Hearts and community partners, 26 local families were identified, who urgently required assistance. Laptops and tablets were delivered to these families and a group of volunteers were trained to help them get online safely, access services and enable children to participate in online learning.

The team further expanded our free digital education programmes, all of which had been transitioned successfully online. These extra programmes attracted around 400 new participants from as far afield as the Isle of Skye to Devon, recruiting several new Jambos on the way. Students, aged between 12 and 16, built their own online shops and created apps focused on environmental issues.

We moved elements of our Community Football's "Joy of Moving" programme online and set technical and physical challenges for 900 primary pupils who were missing out on classroom sessions. Our team also worked with Skills Development Scotland and My World of Work to deliver a livestream session to schools across Scotland on the ways in which technology is used in sport and specifically in football. This encouraged even more participants to join our programmes.

Last but by no means least, we responded to the growing need to support young people aged between 16 and 24 to enter the job market by running a series of career clubs in conjunction with JobCentre Plus. This has helped us to shape new offerings that will boost young people's ability to gain employment in Scotland's digital economy.

To conclude:

We are immensely proud of the achievements of our charity, Big Hearts, our Community Football Department, our Heritage Department and our Innovation Centre. Working together, our teams and our charity supported over 9,000 people during the toughest days of the pandemic.

All of this work has been underpinned by the volunteering efforts of a highly engaged fanbase and the generosity of benefactors and sponsors. We are humbled by the support that has been offered over the past year. We will continue to promote the strong values that inspire our communities to stick together through challenging times and we will continue to use the power of sport to provide meaningful education, employability, health, social inclusion, environmental and sport-related programmes.

On behalf of the board



Dr A Budge

Director

16 Nov '21

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report and financial statements for the year ended 30 June 2021.

Principal activities

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

Directors

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

Dr A Budge

Dr T Hogg

(Resigned 17 December 2020)

D Cumming

J Duncan

S Wallace

K D Windram

A McKinlay

(Appointed 17 August 2020)

J Anderson

(Appointed 1 July 2021)

Results and dividends

The results for the year are set out on page 14.

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

Disabled persons

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

Employee involvement

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

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

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Statement of directors' responsibilities

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

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

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

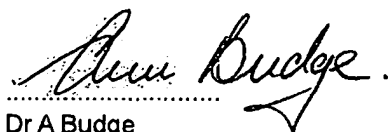
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

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

Statement of disclosure to auditor

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

On behalf of the board



Dr A Budge

Director

16 Nov '21

HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

Opinion

We have audited the financial statements of Heart of Midlothian plc (the 'company') for the year ended 30 June 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

HEART OF MIDLOTHIAN PLC

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which an audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of submitted returns, relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material risk due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

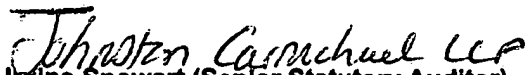
HEART OF MIDLOTHIAN PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HEART OF MIDLOTHIAN PLC

Use of our report

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


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

Chartered Accountants
Statutory Auditor



7-11 Melville Street
Edinburgh
EH3 7PE

HEART OF MIDLOTHIAN PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Operations excluding player trading £000	Player trading £000	Exceptional Items £000	2021 Total £000	2020 Total £000
Turnover	3	6,416	-	1,276	7,692	12,270
Staff costs	6	(5,671)	-	(1,831)	(7,502)	(8,776)
Other operating charges		(4,165)	-	-	(4,165)	(5,064)
Donations	9	6,385	-	-	6,385	3,733
Loan fee income		-	247	-	247	143
Profit on ordinary activities before interest, depreciation, amortisation and other exceptional items		2,965	247	(555)	2,657	2,306
Depreciation and other amounts written off tangible and intangible fixed assets	13, 14	(1,190)	(253)	-	(1,443)	(1,519)
Gain on sale of players' registrations	4	-	944	-	944	344
Exceptional legal costs	21	-	-	-	-	(646)
Profit on ordinary activities before interest	8	1,775	938	(555)	2,158	485
Interest payable and similar charges	11				(143)	(56)
Profit on ordinary activities before taxation					2,015	429
Taxation	12				-	44
Profit for the financial year					2,015	473

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

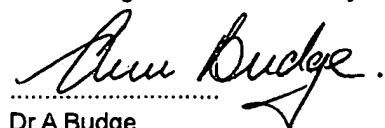
HEART OF MIDLOTHIAN PLC

BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible assets	13	332	481
Tangible assets	14	26,528	27,514
		<u>26,860</u>	<u>27,995</u>
Current assets			
Stocks	15	609	579
Debtors	16	1,779	610
Cash at bank and in hand		2,591	2,376
		<u>4,979</u>	<u>3,565</u>
Creditors: amounts falling due within one year	17	(10,679)	(12,874)
Net current liabilities		<u>(5,700)</u>	<u>(9,309)</u>
Total assets less current liabilities		<u>21,160</u>	<u>18,686</u>
Creditors: amounts falling due after more than one year	18	(1,195)	(90)
Provisions for liabilities	21	-	(646)
Net assets		<u><u>19,965</u></u>	<u><u>17,950</u></u>
Capital and reserves			
Called up share capital	24	15,648	15,648
Share premium account	26	11,769	11,769
Revaluation reserve	25	159	159
Other reserves	27	9,210	7,544
Profit and loss reserves		(16,821)	(17,170)
Total equity		<u><u>19,965</u></u>	<u><u>17,950</u></u>

The financial statements were approved by the board of directors and authorised for issue on 16th Nov '21 and are signed on its behalf by:



Dr A Budge
Director

Company Registration No. SC005863

HEART OF MIDLOTHIAN PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Share capital £000	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss reserves £000	Total £000
Balance at 1 July 2019		15,648	11,769	159	6,941	(17,040)	17,477
Period ended 30 June 2020:							
Profit for the year		-	-	-	-	473	473
Transfer of reserves		-	-	-	603	(603)	-
Balance at 30 June 2020		15,648	11,769	159	7,544	(17,170)	17,950
Period ended 30 June 2021:							
Profit for the year		-	-	-	-	2,015	2,015
Transfer of reserves	27	-	-	-	1,666	(1,666)	-
Balance at 30 June 2021		15,648	11,769	159	9,210	(16,821)	19,965

HEART OF MIDLOTHIAN PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

		2021	2020
	Notes	£000	£000
Cash flows from operating activities			
Cash generated from operations	35	470	763
Investing activities			
Payments to acquire player registrations		(233)	(369)
Receipts from sale of player registrations		224	376
Purchase of tangible fixed assets		(204)	(305)
Income taxes received		-	44
Net cash used in investing activities		(213)	(254)
Financing activities			
Receipt/(Repayment of) related party loan		-	297
Funds received from Bidco (1874) Ltd		-	1,225
Receipt/(Repayment of) other loans		171	-
Interest and arrangement fees paid		(143)	(56)
Repayment of finance leases obligations		(70)	(190)
Net cash (used in)/generated from financing activities		(42)	1,276
Net increase in cash and cash equivalents		215	1,785
Cash and cash equivalents at beginning of year		2,376	591
Cash and cash equivalents at end of year		<u>2,591</u>	<u>2,376</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

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

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

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

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

As at 30 June 2021 Heart of Midlothian plc is a subsidiary of Bidco (1874) Limited, which has its registered office at Collins House, Rutland Square, Edinburgh, Midlothian, EH1 2AA. The results of Heart of Midlothian plc are included in the consolidated financial statements of Bidco (1874) Limited which are available from Companies House, Fourth Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.2 Going concern

The directors have prepared cash flow projections through to 30 June 2023. The projections include:

- The committed long-term support of the company's principal benefactor.
- The post year-end waiver of the £2.4m senior loan by the Foundation of Hearts Limited.
- The post year-end renegotiation of the short-term facilities provided by Bidco (1874) Limited and the loan facility provided by a director, into a Consolidated Loan facility with no required repayments before November 2022.
- The continued support of the Foundation of Hearts Limited.
- The continued support of supporters, sponsors and other Club partners.
- The likelihood that the revenue streams, particularly in the Hospitality and Retail sectors of the business will continue to thrive, given the relaxation of pandemic restrictions.

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

Having reviewed the cash flow projections, the directors believe that the company has the ability to continue as a going concern for the foreseeable future.

1.3 Turnover

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

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

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

Donation income has been separately presented on the face of the profit and loss account.

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

1.4 Players' registrations, transfer fees and signing on fees

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

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

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

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

Land and buildings freehold	Depreciated over a period of 20 to 50 years
Leasehold property	Depreciated over 25 year term of lease
Plant and equipment	Depreciated over a period of 3 to 10 years
Memorabilia	See above

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

1.6 Impairment of fixed assets

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

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

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

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.7 Stocks

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

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

1.8 Cash and cash equivalents

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

1.9 Financial instruments

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

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

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

Basic financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

Classification of financial liabilities

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

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

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

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

Other financial liabilities

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

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

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

Current tax

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

Deferred tax

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.12 Provisions

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

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

1.13 Employee benefits

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

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

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

1.14 Retirement benefits

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

1.15 Leases

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

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

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

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants are recognised in accordance with the performance model. A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

A grant has been provided for employee costs as part of the government's Job Retention Scheme.

1.17 Exceptional Items

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Carrying value of player registrations

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

Depreciation and estimated useful life of tangible assets

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

3 Turnover and other revenue

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

	2021 £000	2020 £000
Turnover analysed by class of business		
Gate receipts	1,813	5,086
Sponsorship and advertising	747	873
Broadcasting rights	348	127
Commercial	1,591	3,152
UEFA solidarity and prize money	1,689	1,920
Other operating income	1,504	1,112
	<u>7,692</u>	<u>12,270</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

3 Turnover and other revenue (Continued)

	2021 £000	2020 £000
Other revenue / amounts included within other operating income		
Furlough grants received	726	742
Government grant received	500	-
SPFL Trust grant received	50	-
	<u>1,276</u>	<u>742</u>

Grants received consist of monies in response to the Covid-19 pandemic, including the Covid-19 Job Retention Scheme.

	2021 £000	2020 £000
Turnover analysed by geographical market		
UK	<u>7,692</u>	<u>12,270</u>

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

4 Gain on sale of player registrations

	2021 £000	2020 £000
Proceeds from sale of player registrations	1,073	376
Costs of player registrations sold or terminated	(129)	(32)
	<u>944</u>	<u>344</u>
Gain on sale of players		

5 Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>23</u>	<u>20</u>
For other services		
Taxation compliance services	7	7
Other taxation services	17	19
All other non-audit services	-	3
	<u>24</u>	<u>29</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

6 Employees

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

	2021 Number	2020 Number
Players, coaching and football support staff	89	114
Administration and commercial staff	87	89
Total	<u>176</u>	<u>203</u>
Part-time matchday staff	<u>22</u>	<u>122</u>

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	6,724	7,862
Social security costs	706	836
Pension costs	72	78
	<u>7,502</u>	<u>8,776</u>

The company incurred £1,831k (2020 - £1,858k) of salary costs in relation to individuals who were placed on the Covid-19 Job Retention Scheme.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

7 Directors' remuneration

	2021 £000	2020 £000
Remuneration for qualifying services	187	208

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 2).

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for the highest paid director.

8 Profit on ordinary activities

	2021 £000	2020 £000
Profit on ordinary activities before interest for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	1,190	1,168
Amortisation of intangible assets	253	351
Cost of stocks recognised as an expense	636	776
Impairment of stocks recognised or reversed	13	3
Operating lease charges	315	275

9 Donations

Included in donations is the following:

	2021 £000	2020 £000
Donations from benefactors	4,715	3,000
Donations from FOH	1,666	603
Other donations	4	130
	6,385	3,733

The company's principal benefactors have continued to support the business during the year with a total donation contribution of £4,715k (2020 - £3,000k).

The Foundation of Hearts provided donations amounting to £1,666k (2020 - £603k) directly to the company, following the final instalment of the repayment of the £2.4m loan to Bidco (1874) Limited in January 2020. For further information see note 27.

Other donations of £4k (2020 - £130k) comprise ad hoc monies received from supporters and other individuals.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

10 Exceptional items

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

	2021 £000	2020 £000
Wage costs for furloughed employees	1,831	1,858
Furlough grant income	(726)	(742)
Government grant income	(500)	
SPFL Trust grant income	(50)	-
	<u>555</u>	<u>1,116</u>
Legal costs	-	646
	<u>555</u>	<u>1,762</u>

The costs of all employees who were placed on furlough during the year amounted to £1,831k (2020 – £1,858k). In connection with this, furlough grant income of £726k (2020 - £742k) was received from the UK Government. Additional grants were received from the UK Government and the SPFL Trust in relation to Covid-19 amounting to £550k (2020 - £nil).

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

11 Interest payable and similar charges

	2021 £000	2020 £000
Interest on financial liabilities measured at amortised cost:		
Late payment interest	33	-
Interest on finance leases and hire purchase contracts	15	23
Interest payable to group undertakings	70	18
Interest payable to related parties	25	15
	<u>143</u>	<u>56</u>

The late payment interest relates to interest due on Covid-19 related deferred PAYE payments, in accordance with a Time to Pay Arrangement, agreed with HMRC during the year.

More details about interest payable and similar expenses is explained in note 19.

12 Taxation

	2021 £000	2020 £000
Current tax		
UK corporation tax on profits for the current period	-	(44)

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

12 Taxation

(Continued)

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

	2021 £000	2020 £000
Profit before taxation	2,015	429
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	383	82
Tax effect of expenses that are not deductible in determining taxable profit	24	-
Tax effect of income not taxable in determining taxable profit	(2)	-
Change in unrecognised deferred tax assets	2,734	921
Permanent capital allowances in excess of depreciation	108	111
Deferred tax adjustments in respect of prior years	(3,247)	(1,158)
Tax credit for the year	-	(44)

13 Intangible fixed assets

	Players' registrations £000
Cost	
At 1 July 2020	1,165
Additions	233
Disposals	(654)
At 30 June 2021	744
Amortisation and impairment	
At 1 July 2020	684
Amortisation charged for the year	253
Disposals	(525)
At 30 June 2021	412
Carrying amount	
At 30 June 2021	332
At 30 June 2020	481

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

14 Tangible fixed assets

	Land and buildings freehold	Leasehold property	Plant and equipment	Assets in the course of construction	Memorabilia	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 July 2020	23,311	2,544	7,922	-	167	33,944
Additions	26	-	67	111	-	204
At 30 June 2021	23,337	2,544	7,989	111	167	34,148
Depreciation and impairment						
At 1 July 2020	1,585	1,628	3,217	-	-	6,430
Depreciation charged in the year	510	101	579	-	-	1,190
At 30 June 2021	2,095	1,729	3,796	-	-	7,620
Carrying amount						
At 30 June 2021	21,242	815	4,193	111	167	26,528
At 30 June 2020	21,726	916	4,705	-	167	27,514

15 Stocks

	2021 £000	2020 £000
Finished goods and goods for resale	609	579

Inventories are stated after provisions for impairment of £68k (2020 - £55k)

16 Debtors

	2021 £000	2020 £000
Amounts falling due within one year:		
Trade debtors	266	106
Corporation tax recoverable	-	2
Other debtors	1,294	303
Prepayments and accrued income	219	199
	1,779	610

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

17 Creditors: amounts falling due within one year

	Notes	2021 £000	2020 £000
Loans and overdrafts	19	4,531	5,494
Obligations under finance leases	20	29	70
Trade creditors		1,819	1,541
Other taxation and social security		511	1,467
Deferred income	22	3,213	3,464
Other creditors and accruals		576	838
		<u>10,679</u>	<u>12,874</u>

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

18 Creditors: amounts falling due after more than one year

	Notes	2021 £000	2020 £000
Loans and overdrafts	19	1,134	-
Obligations under finance leases	20	61	90
		<u>1,195</u>	<u>90</u>

19 Loans and overdrafts

	2021 £000	2020 £000
Other loans	171	-
Loans from group undertakings - senior loan	2,400	2,400
Loans from group undertakings - short-term loan	2,095	2,095
Loans from related parties	999	999
	<u>5,665</u>	<u>5,494</u>
Payable within one year	4,531	5,494
Payable after one year	<u>1,134</u>	<u>-</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

19 Loans and overdrafts

(Continued)

In the prior year and in accordance with the Repayment and Funding Support Agreement entered into in May 2014, the Foundation of Hearts acquired total participation rights in the senior loan between Bidco (1874) Limited and Heart of Midlothian plc of £2.4m. Post year end the Foundation of Hearts acquired the senior debt from Bidco (1874) Limited after paying the final £100k for the acquisition of the 75.1% shareholding. On 31 August 2021 the £2.4m senior loan was waived by the Foundation of Hearts.

In 2019, a director provided a £1m loan facility to the company. During the year the director varied the facility, such that no repayment of the loan was due until October 2023. At 30 June 2021, £999k (2020 - £999k) of this facility has been drawn down by the company. The facility incurred interest at the market rate.

The total short-term facilities owed to Bidco (1874) Limited at 30 June 2021 amounted to £2,095k (2020 - £2,095k). These facilities were provided on an interest free basis from inception in June 2018 through to 30 June 2020.

Post year end, the short-term facilities along with the directors £1m loan facility noted above, were renegotiated into a Consolidated Loan Agreement between Bidco (1874) Limited and Heart of Midlothian plc with effect from 30 August 2021. Interest on this consolidated loan is at the market rate and accrued from 1 July 2020. The Consolidated Loan Agreement specifies monthly loan repayments commencing no later than 1 November 2022 and running for a period of no more than 24 months. The consolidated loan is secured by a standard security over Tynecastle Stadium and a floating charge over the assets of the company.

Other loans amounting to £171k relate to the provision of a loan under the government's Coronavirus Business Interruption Loan Scheme. This amount is repayable in monthly instalments over the next 5 years.

20 Finance lease obligations

	2021	2020
	£000	£000
Future minimum lease payments due under finance leases:		
Within one year	34	78
In two to five years	65	100
	<u>99</u>	<u>178</u>
Less: future finance charges	(9)	(18)
	<u>90</u>	<u>160</u>

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

21 Provisions for liabilities

Provisions for legal costs

	2021 £000	2020 £000
Exceptional provision for legal fees	-	646
	<u>-</u>	<u>646</u>

The provision for legal fees in the 2020 financial year relates to the dispute between Heart of Midlothian plc and the Scottish Professional Football League Limited over the enforced relegation of Hearts FC, following the cessation of the 2019/20 season, resulting from the Covid-19 pandemic. A legal process ensued firstly via the Court of Session and then via the Scottish Football Associations's Arbitration process. The action was not found in the company's favour and as such the company became liable for relevant costs and expenses. Full provision was made in the prior year for all associated costs.

Unrecognised deferred tax asset

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

	2021 £000	2020 £000
Fixed asset timing differences	-	(32)
Other timing differences	-	37
Tax losses available	13,530	10,791
	<u>13,530</u>	<u>10,796</u>

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

22 Deferred income

	2021 £000	2020 £000
Other deferred income	3,213	3,464
	<u>3,213</u>	<u>3,464</u>

23 Retirement benefit schemes

	2021 £000	2020 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	72	78
	<u>72</u>	<u>78</u>

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

24 Share capital

	2021 £000	2020 £000
Ordinary share capital		
Issued and fully paid		
156,478,232 Ordinary shares of 10p each	15,648	15,648
	<u>15,648</u>	<u>15,648</u>

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

25 Revaluation reserve

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

26 Share premium account

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

27 Other reserves

	Foundation of Hearts working capital reserve	Foundation of Hearts stadium redevelopment reserve	Total
	£000	£000	£000
At 1 July 2019	3,941	3,000	6,941
Transfer of Foundation of Hearts donations from profit and loss reserve	603	-	603
At 30 June 2020	4,544	3,000	7,544
Transfer of Foundation of Hearts donations from profit and loss reserve	1,666	-	1,666
At 30 June 2021	6,210	3,000	9,210

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

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

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

In May 2018, in accordance with the Repayment and Funding Support Agreement, the Foundation of Hearts commenced the purchase of participation rights in the Bidco (1874) Limited senior loan. The full £2.4m was acquired during the year ended 30 June 2020. On 30 August 2021 the Foundation of Hearts legally acquired the senior debt from Bidco (1874) Limited after paying the final £100k for the acquisition of the 75.1% shareholding. On 31 August 2021 the £2.4m senior loan was waived by the Foundation of Hearts.

Further to the completion of the purchase of the £2.4m participation rights, the Foundation has contributed a further £1,666k during the year ended 30 June 2021 (2020 - £603k). These monies were deemed to be non-repayable and as such have been recognised in the Profit and Loss Account and subsequently transferred to the Foundation of Hearts Working Capital Reserve, in keeping with the first two years of working capital funding.

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021 £000	2020 £000
Acquisition of tangible fixed assets	20	-

29 Operating lease commitments

Lessee

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

	2021 £000	2020 £000
Within one year	301	292
Between two and five years	1,296	1,258
In over five years	349	687
	<u>1,946</u>	<u>2,237</u>

30 Events after the reporting date

On 30 August 2021, in accordance with the Repayment and Funding Support Agreement entered into in May 2014, the Foundation of Hearts Limited paid the final equity instalment to Bidco (1874) Limited. This facilitated the transfer of 75.1% of the equity in Heart of Midlothian plc to the Foundation of Hearts Limited. At the same time, the senior loan of £2.4m was acquired by the Foundation of Hearts Limited.

On 31 August 2021 the £2.4m senior loan was waived by the Foundation of Hearts.

As detailed in Note 19, loan facilities previously provided by Bidco (1874) Limited and a director of the company were amalgamated into a Consolidated Loan Agreement dated 30 August 2021. The loan repayments are scheduled to commence on 1 November 2022 and will run for a period of no more than 24 months. Interest is payable on the consolidated loan at market rates.

31 Related party transactions

Remuneration of key management personnel

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

	2021 £000	2020 £000
Aggregate compensation	455	454

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

31 Related party transactions

(Continued)

Other transactions

On the acquisition of the company in May 2014, Bidco (1874) Limited provided a loan of £2.4m to the company. In accordance with The Repayment and Funding Support Agreement, the Foundation of Hearts Limited has purchased participation rights worth £2.4m in this loan. At 30 June 2021 the company owed Bidco (1874) Limited £2.4m (2020 - £2.4m) with participation rights transferring to Foundation of Hearts on completion of equity purchase.

The total short-term facilities owed to Bidco (1874) Limited at 30 June 2021 amounted to £2,095k (2020 - £2,095k). These facilities were provided on an interest free basis from inception in June 2018 through to 30 June 2020. From 1 July 2020 the facilities accrued interest at market rates. From 30 August 2021, these facilities formed part of the new Consolidated Loan Agreement detailed in Note 19.

To facilitate the post year-end transfer of ownership from Bidco (1874) Limited to the Foundation of Hearts Limited and the post year-end Consolidated Loan Agreement, the company incurred £12k of legal fees on behalf of Bidco (1874) Limited. This was outstanding at 30 June 2021.

Foundation of Hearts Limited is a company in which D Cumming and S Wallace were also directors during the year. During the prior year, Foundation of Hearts Limited repaid the remaining £870k of the £2.4m senior loan owed to Bidco (1874) Limited. During the current year, the Foundation of Hearts Limited contributed a further £1,666k (2020 - £603k) to the company. As at 30 June 2021, the total amount paid by the Foundation of Hearts Limited in connection with the provision of working capital, the contribution to the Tynecastle Redevelopment Project and the repayments to Bidco (1874) Limited was £11.7m (2020 - £10.0m). To facilitate the post year-end transfer of ownership from Bidco (1874) Limited to the Foundation of Hearts Limited, the transfer of the senior loan and the subsequent waiver of the senior loan, the company incurred £74k of legal costs during the year. £74k is outstanding at 30 June 2021.

In 2019, a director provided a £1m loan facility to the company. The loan has been provided at market interest rates. During the year, the director has varied the facility, such that no repayment of the loan is due until October 2023. At 30 June 2021, £999k (2020 - £999k) of this varied facility has been drawn down by the company. From 30 August 2021, this facility formed part of the new Consolidated Loan Agreement detailed in Note 19.

During the year, the company purchased construction services from JB Contracts (Scotland) Limited amounting to £110k (2020 - £264k). At 30 June 2021, the company owed JB Contracts (Scotland) Limited £12k (2020 - £46k). Whilst there is a family connection between Dr A Budge and the director and controlling shareholder of this company, there are no shared business interests. The construction services were procured by our independent 3rd party Construction Manager, who was responsible for the evaluation, selection and appointment of suitable trade contractors, via a structured tender process. The Board are satisfied that the services were purchased on an arm's length basis.

A McKinlay is a director of Big Hearts Community Trust. During the year, the company invoiced £4k (2020 - £25k) and received £2k (2020 - £28k) from the charity. As at 30 June 2021, the company was owed £nil (2020 - £nil) by Big Hearts Community Trust.

During the year, the company received £4.2m (2020 - £3m) in donations from a director. This amount is included within the £4.7m (2020 - £3m) donations from benefactors within note 9.

32 Ultimate controlling party

As at 30 June 2021 the company's parent and ultimate parent company is Bidco (1874) Limited. The ultimate controlling party is Dr A Budge.

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

33 Subsidiaries

Details of the company's subsidiaries at 30 June 2021 are as follows:

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

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

34 Analysis of changes in net debt

	1 July 2020 £000	Cash flows £000	30 June 2021 £000
Cash at bank and in hand	2,376	215	2,591
Borrowings excluding overdrafts	(5,494)	(171)	(5,665)
Obligations under finance leases	(160)	70	(90)
	<u>(3,278)</u>	<u>114</u>	<u>(3,164)</u>

35 Cash generated from operations

	2021 £000	2020 £000
Profit for the year after tax	2,015	473
Adjustments for:		
Taxation credited	-	(44)
Finance costs	143	56
Gain on sale of registrations	(944)	(344)
Amortisation and impairment of intangible assets	253	351
Depreciation and impairment of tangible fixed assets	1,190	1,168
(Decrease)/increase in provisions	(646)	646
Movements in working capital:		
(Increase)/decrease in stocks	(30)	64
Decrease in debtors	34	810
(Decrease) in creditors	(1,294)	(682)
(Decrease) in deferred income	(251)	(1,735)
Cash generated from operations	<u>470</u>	<u>763</u>