

Company Registration No. SC005863 (Scotland)

HEART OF MIDLOTHIAN PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

HEART OF MIDLOTHIAN PLC

COMPANY INFORMATION

Directors	Dr A Budge D Cumming J Duncan K Windram A McKinlay J Anderson G Mallon
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
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HEART OF MIDLOTHIAN PLC

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HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The directors present the strategic report for the year ended 30 June 2023.

Fair Review of the Business

Overview

The 2022/2023 financial year saw Heart of Midlothian Football Club continue on a very positive trajectory in terms of developments, both on and off the pitch.

Our on pitch success in the previous season saw us qualify for European Football for the first time since 2016/17 season. Despite the challenges posed by a heavily congested fixture list, our team, our staff and our fans, warmly embraced our European adventure. Memorable journeys took us to St Gallen, Riga, Florence, and Istanbul, where we secured 6 points in total, scoring in all of our away games. This journey not only offered valuable lessons for our future European endeavours but also brought substantial financial gains to the club, courtesy of prize money, broadcast revenues, and packed stadiums, as is clearly demonstrated in our financial results.

Our aspiration for Season 2022/23 was to repeat our success of the previous year and secure at least a 3rd place finish in the Scottish Premiership. While this narrowly eluded us, our 4th place finish has ensured our participation once again in the qualifying rounds of European football in Season 23/24.

Off the field, our revenue growth continued across our various business streams, matched by ongoing investment to ensure we continue to make the best use of our assets to support our on-field ambitions. We remained committed to investing in and strengthening all facets of the club, ensuring that we can confidently embrace the future.

Footballing Operation

With European group stage football guaranteed, Sporting Director, Joe Savage, and his recruitment team worked closely with Robbie Neilson and his coaching staff to identify key targets that would strengthen the squad. Lawrence Shankland joined in July 2022 and proved an immediate success and fan's favourite. He went on to score 28 goals across all competitions. Fellow Scots, Zander Clark and Alan Forrest were added to the squad, along with Scotland U21 regular Lewis Neilson from Dundee United. Off the back of a highly successful loan spell, Alex Cochrane signed a permanent contract and was joined by countryman Jorge Grant, while Stephen Humphrys made the move north on loan from Wigan Athletic.

Keen to target different markets, Australian internationalist Kye Rowles became another addition, and he would go on to star at the 2022 FIFA World Cup in Qatar. Highly rated Japanese U22 forward Yutaro Oda signed permanently in the January transfer window, and the squad was further bolstered with the loan signings of James Hill from Bournemouth and Australia cap Garang Kuol from Newcastle United.

New contracts were earned by Peter Haring, Liam Boyce, and Hearts Academy graduate Finlay Pollock. Finlay, along with fellow young talents Lewis Neilson, Connor Smith, and Euan Henderson, would go on to make their European debuts in the UEFA Europa Conference League group stages.

Despite the challenges posed by the congested schedule, we remained focussed and committed to achieving our key strategic objective for the season, namely a back-to-back 3rd place finish in our Domestic League and a good performance in Cup competitions. In the League Cup, we encountered a disappointing early exit at the hands of Kilmarnock. Our journey in the Scottish Cup led us to the quarterfinals, where we faced a formidable opponent in Celtic, unfortunately resulting in us exiting the competition at that stage. In terms of League performance, at one juncture, we sat seven points clear in third place.

However, a poor run of form prompted the Board to take the very difficult decision in April 2023 to part ways with our Manager, Robbie Neilson, and his assistant, Lee McCulloch. Steven Naismith, Frankie McAvoy and Gordon Forrest were appointed as our new interim management team, and they ultimately led us to 4th place and another European Qualification place for next season. This team was subsequently appointed permanently, being the management team, the Board trusted to take us forward into Season 2023/2024.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Fair Review of the Business (Continued)

We continued to invest in both youth development and in women's football in line with our long-term strategy. On the Academy front, we saw notable successes across all the Girls and Boys Academy age groups under the leadership of Frankie McAvoy. With Frankie joining the 1st Team coaching team, we appointed Andrew Webster to the Head of Academy role. Andrew left his role as St Mirren's Head of Professional Game to join us. He will oversee all aspects of the club's Football Academy and will also be responsible for coach education, developing young players and continuing to build the pathway for youth level players to reach the first team.

In 21/22, we took the decision to enter a B Team into the Lowland League, led by Steven Naismith. The first season, 22/23, gave our young players the opportunity to play a full season of competitive league football. Ultimately this investment is aimed at helping our young players make a successful transition from the Academy to the 1st team. Steven Naismith's move to the Men's 1st Team saw the return of Liam Fox to Heart of Midlothian to take the reins. Liam brings with him experience gained at different topflight clubs in a variety of coaching roles. He will bring these skills to the B Team. He will work closely with Steven Naismith, helping to develop B Team players into potential 1st Team players and he will also work closely with Andrew Webster, helping to develop younger age group players and coaches within the Academy as they aim to travel the pathway to the men's and women's first teams.

Under the tutelage of Eva Olid, the Women's 1st Team delivered our best ever finish in the SWFL. We were delighted to finish in 4th place, behind the top forces in Scottish Women's Football. Eva's focus on developing the players, recruiting full-time and semi-professional players, and implementing a fully professional training regime, has very much paid off. Our key objective moving forward is to see our Women's Team continue to close the gap between ourselves and the current Top 3 Women's Teams in Scotland.

Commercial Operations

Our commercial teams delivered exceptional results, supported by our dedicated fans. Record-breaking sales in sponsorship, retail, hospitality, and ticketing were complemented by a sold-out season ticket allocation and a record waiting list of 7,000.

Our Ticket Exchange functionality meant that more supporters than ever were able to support the team at Tynecastle. To further help meet the demand for tickets, we reduced the away allocation for all teams, with the exception of Hibernian. While not universally popular with Away teams and their supporters, this has been well received by our own fans.

We were delighted to receive Board approval for the completion of our Main Stand development, when plans for the fit out of the second floor were approved. This will see the Club benefit from an additional 6 conference rooms to support our growing Conference and Events business stream and will also see us open an entirely new hospitality venture, when we open the 25-bedroom Tynecastle Park Hotel. This exciting project is being led by our in-house hospitality team and will see us offer even more facilities for our supporters, especially our travelling supporters, while also allowing us to tap into the buoyant Edinburgh tourist market. The construction / fit-out work is being led by our in-house Stadium Manager and it is expected that the 4-star hotel will open for business during the second half of the 2023/24 financial year.

All of our on-pitch and off-pitch initiatives continue to be supported by the Foundation of Hearts (FOH), the majority shareholder in the club. The numbers of supporters continuing to pledge never falters. The FOH pledgers have now contributed more than £15 million of funding to the Club, a truly amazing achievement and we thank the FOH Board, volunteers and, of course, pledgers for their continued financial support.

It is this unwavering support that has allowed the club to come as far as it has over the last few years and allows us to look forward with confidence to the future.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Fair Review of the Business (Continued)

Principal Risks and Market Uncertainties

The Directors believe that the principal risks and market uncertainties associated with running a football club are as follows:

- A downturn in First Team football performance in the SPFL, particularly a bottom 6 finish.
- The current cost of living crisis impacting the spend capacity of supporters, commercial sponsors, and partners.
- The ability of the football authorities to continue to develop and maintain key revenue streams for broadcasting rights, league, and cup sponsorship.
- The ability of our own revenue generating teams to maximise non-football opportunities thereby impacting our level of reinvestment in the football side of the business.

Financials

From a financial perspective, season 22/23 was strong. We reported record Turnover of £20.8m, a 42% increase on the prior year. Whilst an element of this increase was due to our participation in the Europa Conference League group stages, which enhanced our gate receipts and our football prize monies, we also benefited significantly from our growing commercial operations – hospitality, retail, sponsorship and advertising.

The increase in revenue, along with the ongoing support from the Foundation of Hearts and our benefactors, allowed us to substantially increase the investment in our playing budget and our backroom support teams and facilities. To keep pace with our turnover growth, we also continue to invest in strengthening our commercial and administrative support teams. Staff costs increased by £4.1m during the season, which demonstrates this ongoing and essential investment.

Our operating costs increased by £2.4m, year on year, reflecting both our increased revenue and the not inconsiderable expenditure from our European participation.

We are delighted to report an EBITDA of £2.6m for the year.

Our continuing investment in players is further demonstrated by our increased amortisation costs for the year, totalling £1m compared to £350k in the prior year. These costs are offset by a gain on player trading of £370k.

Our balance sheet at 30 June 2023 remains strong with Net Assets of £24.4m.

Our net cash outflow during the year amounted to £2.2m, with cash generated from operations of £1.2m, net spend on player and infrastructure investment of £2m and the repayment of loans and financing obligations of £1.4m.

Financially, this was an excellent year for the Club - with record revenues, reinvested in further developing our playing squad and our staff teams, continuing to improve the Club's infrastructure, and enhancing Tynecastle Park.

We are, as always, extremely grateful for the support we receive from our supporters, shareholders, benefactors, sponsors, partners, the Foundation of Hearts Limited and our players and employees. The Board would like to express its thanks to every one of these groups for their continued support.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Section 172(1) Statement

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

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

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

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

The interests of the company's employees.

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

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

10 October 2023

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2023

The directors present the corporate and social responsibility statement for the year ended 30 June 2023.

Introductory Remarks

As a values-led organisation owned by its supporters, Hearts is widely regarded as a forward-thinking and proactive force for good. With the support of the Foundation of Hearts, we have assured the future of Tynecastle Park as a hub for a range of social, educational, physical and mental health support services.

The Club is acutely aware of its responsibilities to the many communities it serves; from generations of supporters who have supported Hearts through times of triumph and times of trouble to the increasingly diverse communities of Gorgie and Dalry. As we have moved on from the pandemic, evidence has shown that families here have been disproportionately affected by lockdown and the resulting economic downturn. The cost-of-living crisis has bitten hard in our community, plunging those who are already in financial difficulties deeper into hardship and creating a new cohort of families who now struggle to make ends meet.

Southwest Edinburgh and the communities surrounding Tynecastle Park feature high in terms of SIMD (Scottish Index of Multiple Deprivation) and other poverty indicators; the local Gorgie/Sighthill ward has the highest poverty (30%) and child poverty (39%) rates in the city. The level of financial, emotional, and practical hardships experienced by families and individuals in our local community has worsened, resulting in a 60% increase of referrals to Big Hearts. Against this backdrop, the Club has redoubled its efforts to remain as inclusive as possible, once again, freezing season ticket prices and keeping all Community initiatives accessibly priced or free. Examples of some of the work and projects undertaken are given below.

Supporting our community

Supporting our community off the pitch, Hearts and our Charity, Big Hearts continued to deliver vital services, designed to help all generations live better, safe and fulfilling lives. The Big Hearts' space in the Wheatfield Stand, 'The Shed', hosted innovative projects, with around 2,000 hours of staff time directly supporting participants with their mental health. Big Hearts' Kinship Care initiative, which has provided unique and tailored support to an underrepresented group since 2015, continues to support over 100 families every year.

In response to the cost-of-living crisis, Big Hearts launched the Warm Welcome Lunch in late 2022. Along with local partners such as Cyrenians, Warm Welcome has provided thousands of meals for the community. Big Hearts has also given small grants of around £7,000 to local groups who also opened their doors to the local community on a more regular basis.

The 'Welcome Through Football' project has grown considerably with a 180% increase in attendance. Many nationalities are represented, and we were delighted to welcome our first female participants as part of this social inclusion initiative. The project was awarded the national grassroots award for 'Best Community Project for All' by the Scottish FA.

With hundreds of days of free activities and bespoke work on behalf of some of our community's hardest to reach people, Big Hearts remain committed to improving the lives of groups most in need. Big Hearts Supporters have continued to deliver in significant numbers with weekly volunteering, support for one-off campaigns, such as the Christmas gift appeal and the annual food bank collection.

Hearts' Community Football Department further extended the reach of their holiday courses, football expos and schools programmes. A new series of girls-only football expos were enjoyed by 250 participants at each event. A significant milestone was reached in August 2022, when girls outnumbered boys at a mixed holiday course in the Scottish borders.

A new Future Coaches initiative was created that offered young people aged 15-20 years of age the opportunity to grow and develop their coaching tool kit through a series of interactive and dynamic sessions delivered by our coaching team. The programme provided 30 students with key information, practical content and methods to help create energetic, exciting and engaging sessions for coaches delivering sessions to kids and young players. These sessions were complemented with input from FE/HE institutes including Edinburgh University, Napier University and Edinburgh college which included signposting to qualifications and future careers.

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Supporting our community (continued)

Grassroots coaches and volunteers are the engine room of Scotland's national game. Not only do they provide opportunities for youngsters to develop and perform, but they play a vital role in helping families stay active, healthy, and connected to their communities. The Community Football Department, regarded as a leading light in best practice, used their expertise to produce a presentation and supporting materials to help the armies of volunteers, dedicated to supporting the game at grassroots level, to become better coaches. The process was supported by the Scottish FA who adopted the guide and arranged for this to be presented via a roadshow across Scotland with the aim of helping make the grassroots game better for everyone.

The Community Football Department continues to play a leading role in creating partnerships and legacies in Rwanda. This year saw a third trip in partnership with the newly formed charity 'Scottish Football for Rwanda', which facilitates both professional and grassroots clubs' visits to the West African country to experience both the social and sporting landscape and to develop working relationships for the future.

Heritage Department

As we approach the sesquicentennial of the Club, our Heritage Department has been focused on preparations for Hearts' 150th anniversary season in 2023-24. A new 150th emblem was designed that is emblazoned on a new gate at Gerard's Yard. The gate marked the first celebration and provided a great metaphor for throwing open the story of our club and ushering in a bright, positive future.

Much preparation work has been carried out to improve accessibility to the Club's Museum and Stadium Tours, with the Museum remaining free to enter, and supported by a dedicated team of volunteers providing over 1,800 hours of their time. Designated accessible stadium tours were introduced in 2022, with positive feedback from supporters. A comprehensive programme of events has been planned for the coming year, as part of the 'Maroon Mile' project. This celebrates the Club's significant role in the communities of Dalry and Gorgie.

In preparation for this, our Heritage Team has been introducing technology that will enable the Club to make its precious archive more widely accessible. The Hearts Museum 'Transcribathon' project saw a mini army of volunteers transform an initial 150 handwritten extracts from Club Minute Books from 1896-1965 into searchable digital data. We continue to focus on capturing digital imagery of the Club's significant collection of artifacts (over 3,000 objects) and paper records. This will provide a rich seam of data and supporting content helping to produce detailed narratives of important episodes in Hearts' history.

The Heritage Team supported the first of two planned Data Jam projects being run in partnership with the Innovation Centre, Civic Digits and DataKirk, which saw young people using digital data to explore, extract and share stories of black footballers throughout the 150-year history of Hearts.

Innovation Centre

The Innovation Centre resumed face-to-face meetings, with after-school clubs recommencing in June 2022 and since then, has increased its reach to the young people within the community, by offering more afterschool clubs, holiday programmes and workshops. Over the year in review, just over 1300 young people were able to benefit from the digital education and STEM programmes that were offered.

The range of disciplines in our afterschool clubs has expanded, allowing us to develop progression pathways such as coding, application development and robotics. More support was provided for the young people to better prepare for the workplace through a digital careers club and the launch of a youth mentor programme. Additionally, our service to the community was expanded to provide technology support for seniors, 50 years and older, who risk becoming disenfranchised from an increasingly digital world. Get Smart@Hearts now runs weekly support sessions at Tynecastle Park with partner, ACE IT.

In our ongoing work to ensure that we are inclusive to all groups and members of the community, we have continued to run cohorts of our after-school clubs for girls and non-binary young people that have received high praise from parents. We have built new relationships with Gorgie Mills High School and Kaimes School to provide better support for young people with Additional Support Needs. This reflects Hearts' advocacy for ensuring that new experiences and mentorship in STEM and digital education are made available to all underrepresented groups within the community.

We are grateful for the continued support of our sponsors, Baillie Gifford and Stellar Omada as well as the provision of equipment by Dell Technologies.

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Diversity and inclusion

Diversity and Inclusion are fundamental to all aspects of our operation. Our efforts are supported by sponsors and by our fanbase who contribute generously to foodbanks, donate to Big Hearts and make it possible for families living in poverty to attend matches. Throughout the season, a supporter-led initiative fundraised to buy match tickets for those who would otherwise be unable to attend matches. The Club backed this initiative by matching all tickets bought. Corporate social responsibility remains a firm focus of our sponsorship strategy and the Club is grateful to companies and individuals who have bought tickets, mascot places and kiosk vouchers for supporters who would otherwise be unable to attend matches.

In November 2022, Tynecastle Park played host to the new Women's Capital Cup between Hearts Women and Hibernian Women. The Cup is competed for twice each season and thanks to the support of long-term Club partner, Baillie Gifford, is free for all to attend. As well as helping to grow support for the girls' and women's game, this initiative is helping to introduce new audiences to football by making the match accessible to a much wider set of people across different communities in Edinburgh. Over 7,000 attended February's fixture at Tynecastle Park with 3,000 tickets being taken up by people who had never previously attended a game. We strengthened our reach into specific ethnic minority cohorts by working with partners such as the DataKirk and Passion4 Fusion to help us to build in greater diversity. In total, we distributed just over 2,500 tickets to community groups and were able to identify individuals who needed additional assistance to attend.

The match was selected to promote the national football versus homophobia campaign and players from both sides undertook social media activities in advance of the match.

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. The way in which services have been ramped up to help communities who are so badly affected by the ongoing cost-of-living crisis is exceptional. We are enormously grateful for the continued support of sponsors and funders who share our values and for the volunteering efforts of a highly engaged fanbase.

On behalf of the board

Dr A Budge

Director

10 October 2023

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The directors present their report and financial statements for the year ended 30 June 2023.

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
D Cumming
J Duncan
K Windram
A McKinlay
J Anderson
G Mallon

Results and dividends

The results for the year are set out on page 13.

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.

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.

Strategic Report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be continued in the directors' report. It has done so in respect of future developments.

On behalf of the board

Dr A Budge

Director

10 October 2023

HEART OF MIDLOTHIAN PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2023

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;
- 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.

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 2023 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 2023 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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

HEART OF MIDLOTHIAN PLC

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent the audit was 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.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and sector in which it operates, focusing on provisions 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;
- General Data Protection Regulation; and
- UK Generally Accepted Accounting Practice.

HEART OF MIDLOTHIAN PLC

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

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 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. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, 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 for reference to: breaches of laws and regulations or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- 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;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006;
- Agreement of various income sources to relevant audit evidence including agreement of ticket income to third party reports, agreement of football income to relevant regulatory bodies, agreement of sponsorship and partnership income to relevant contracts and agreement of commercial and other income to relevant supporting documentation; and
- Agreement of the financial statement disclosures to supporting documentation.

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 misstatement 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.

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

11 October 2023

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 2023

	Notes	Operations excluding player trading £000	Player trading £000	2023 Total £000	2022 Total £000
Turnover	3	20,778	-	20,778	14,644
Staff costs	6	(15,381)	-	(15,381)	(11,225)
Other operating charges		(9,072)	-	(9,072)	(6,673)
Donations	9	6,167	-	6,167	5,985
Loan fee income		-	58	58	244
Profit on ordinary activities before interest, depreciation, amortisation and other exceptional items		2,492	58	2,550	2,975
Depreciation and other amounts written off tangible and intangible fixed assets	12, 13	(1,360)	(1,021)	(2,381)	(1,574)
Gain on sale of players' registrations	4	-	370	370	461
Profit on ordinary activities before interest	8	1,132	(593)	539	1,862
Other interest receivable and similar income				1	-
Interest payable and similar charges	10			(242)	(113)
Profit on ordinary activities before taxation				298	1,749
Taxation	11			-	-
Profit for the financial year				298	1,749

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 2023

		2023		2022	
	Notes	£000	£000	£000	£000
Fixed assets					
Intangible assets	12		1,801		1,246
Tangible assets	13		26,839		25,790
			<u>28,640</u>		<u>27,036</u>
Current assets					
Stocks	14	701		405	
Debtors	15	1,737		1,606	
Cash at bank and in hand		5,643		7,834	
		<u>8,081</u>		<u>9,845</u>	
Creditors: amounts falling due within one year	16	<u>(11,237)</u>		<u>(10,430)</u>	
Net current liabilities			<u>(3,156)</u>		<u>(585)</u>
Total assets less current liabilities			25,484		26,451
Creditors: amounts falling due after more than one year	17		<u>(1,072)</u>		<u>(2,337)</u>
Net assets			<u>24,412</u>		<u>24,114</u>
Capital and reserves					
Called up share capital	23		15,648		15,648
Share premium account	25		11,769		11,769
Revaluation reserve	24		159		159
Other reserves	26		14,762		13,135
Profit and loss reserves			<u>(17,926)</u>		<u>(16,597)</u>
Total equity			<u>24,412</u>		<u>24,114</u>

The financial statements were approved by the board of directors and authorised for issue on 10 October 2023 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 2023

	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 2021		15,648	11,769	159	9,210	(16,821)	19,965
Period ended 30 June 2022:							
Profit for the year		-	-	-	-	1,749	1,749
Waiver of senior loan	26	-	-	-	2,400	-	2,400
Transfer of reserves	26	-	-	-	1,525	(1,525)	-
Balance at 30 June 2022		15,648	11,769	159	13,135	(16,597)	24,114
Period ended 30 June 2023:							
Profit for the year		-	-	-	-	298	298
Transfer of reserves	26	-	-	-	1,627	(1,627)	-
Balance at 30 June 2023		15,648	11,769	159	14,762	(17,926)	24,412

HEART OF MIDLOTHIAN PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

		2023		2022	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash generated from operations	33		1,150		5,837
Investing activities					
Payments to acquire player registrations		(845)		(408)	
Receipts from sale of player registrations		196		328	
Purchase of tangible fixed assets		(1,336)		(333)	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(1,985)		(413)
Financing activities					
Repayment of related party loans		(1,000)		(5)	
Repayment of other loans		(28)		(29)	
Interest and arrangement fees paid		(93)		(107)	
Repayment of finance leases obligations		(235)		(40)	
		<u> </u>		<u> </u>	
Net cash used in financing activities			(1,356)		(181)
			<u> </u>		<u> </u>
Net (decrease)/increase in cash and cash equivalents			(2,191)		5,243
Cash and cash equivalents at beginning of year			7,834		2,591
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			5,643		7,834
			<u> </u>		<u> </u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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.

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.

1.2 Going concern

The directors have prepared cash flow projections through to 30 September 2024. The projections include:

- The committed long-term support of the company's principal benefactor.
- The continued support of the Foundation of Hearts Limited.
- The continued support of Bidco (1874) Limited regarding ongoing flexibility with loan repayments.
- The continued support of supporters, sponsors and other Club partners.
- Ongoing success on the pitch.

The projections indicate that the company should remain cash positive during the period they cover. 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 purchase and subsequent waiving of the senior loan 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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

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. The company assesses intangible assets for impairment across a variety of indicators including post balance sheet transactions relevant to football personnel. 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.

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 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.

Assets in the course of construction are not depreciated.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

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 profit or loss, 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.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

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.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

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.

1.12 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.

1.13 Retirement benefits

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

1.14 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.

1.15 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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.17 Exceptional items

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

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

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:

	2023	2022
	£000	£000
Turnover analysed by class of business		
Gate receipts	6,224	5,206
Sponsorship and advertising	1,228	934
Broadcasting rights	374	377
Commercial	5,178	4,395
UEFA solidarity and prize money	7,391	3,108
Other operating income	383	624
	<u>20,778</u>	<u>14,644</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

3	Turnover and other revenue	(Continued)	
		2023 £000	2022 £000
	Other revenue amounts included within other operating income		
	Government grant received	5	127
		<u>5</u>	<u>127</u>

Grants received consist of monies received from the Scottish Government and Scottish Football Partnership.

	2023	2022
	£000	£000
Turnover analysed by geographical market		
UK	20,778	14,644
	<u>20,778</u>	<u>14,644</u>

Broadcasting rights consists of monies received from Cup television income and the Club's internal TV streaming subscriptions.

4	Gain on sale of player registrations	2023	2022
		£000	£000
	Proceeds from sale of player registrations	423	476
	Costs of player registrations sold or terminated	(53)	(15)
		<u>370</u>	<u>461</u>

5	Auditor's remuneration	2023	2022
		£000	£000
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the company	26	26
		<u>26</u>	<u>26</u>
	For other services		
	Taxation compliance services	6	6
	Other taxation services	4	10
	All other non-audit services	12	4
		<u>22</u>	<u>20</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

6 Employees

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

	2023	2022
	Number	Number
Players, coaching and football support staff	130	117
Administration and commercial staff	146	120
	<u>276</u>	<u>237</u>
Total	276	237
Part-time matchday staff	121	105
	<u>121</u>	<u>105</u>
	2023	2022
	£000	£000
Wages and salaries	13,776	10,092
Social security costs	1,505	1,035
Pension costs	100	98
	<u>15,381</u>	<u>11,225</u>

The company manages its staff costs in the context of total income being Turnover plus Donations. In the current year, the total staff cost to total income percentage is 57% (2022 – 54%).

7 Directors' remuneration

	2023	2022
	£000	£000
Remuneration for qualifying services	284	277
	<u>284</u>	<u>277</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2022 - 2).

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

	2023	2022
	£000	£000
Remuneration for qualifying services	175	174
	<u>175</u>	<u>174</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

8 Profit on ordinary activities

	2023	2022
	£000	£000
Profit on ordinary activities before interest for the year is stated after charging/(crediting):		
Exchange losses/(gains)	22	95
Depreciation of owned tangible fixed assets	1,360	1,224
Amortisation and impairment of intangible assets	1,021	350
Cost of stocks recognised as an expense	893	982
Impairment of stocks recognised or reversed	(9)	(21)
Operating lease charges	515	391
	<u> </u>	<u> </u>

9 Donations

Included in donations is the following:

	2023	2022
	£000	£000
Donations from benefactors	4,540	4,460
Donations from FOH	1,627	1,525
	<u> </u>	<u> </u>
	6,167	5,985
	<u> </u>	<u> </u>

The company's principal benefactors have continued to support the business during the year with a total donation contribution of £4,540k (2022 - £4,460k).

The Foundation of Hearts provided donations amounting to £1,627k (2022 - £1,525k) directly to the company. For further information see note 26.

10 Interest payable and similar charges

	2023	2022
	£000	£000
Interest on financial liabilities measured at amortised cost:		
Interest on finance leases and hire purchase contracts	63	9
Interest payable to related parties	158	98
Interest payable on other loans	21	6
	<u> </u>	<u> </u>
	242	113
	<u> </u>	<u> </u>

More details about interest payable and similar expenses is explained in note 18 and 29.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

11 Taxation

	2023	2022
	£000	£000
Current tax		
UK corporation tax on profits for the current period	-	-
	<u> </u>	<u> </u>

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

	2023	2022
	£000	£000
Profit before taxation	298	1,749
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.50% (2022: 19.00%)	61	332
Tax effect of expenses that are not deductible in determining taxable profit	10	13
Change in unrecognised deferred tax assets	(228)	(561)
Permanent capital allowances in excess of depreciation	104	83
Other permanent differences	-	4
Deferred tax adjustments in respect of prior years	53	129
	<u> </u>	<u> </u>
Tax credit for the year	-	-
	<u> </u>	<u> </u>

It was announced in the March 2021 Budget that a rate of 25% would apply from 1 April 2023 and this change was substantially enacted on 24 May 2021. Deferred tax has been calculated at 25%.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

12 Intangible fixed assets

	Players' registrations £000
Cost	
At 1 July 2022	1,713
Additions	1,629
Disposals	(152)
At 30 June 2023	<u>3,190</u>
Amortisation and impairment	
At 1 July 2022	467
Amortisation charged for the year and impairment losses	1,021
Disposals	(99)
At 30 June 2023	<u>1,389</u>
Carrying amount	
At 30 June 2023	<u><u>1,801</u></u>
At 30 June 2022	<u><u>1,246</u></u>

13 Tangible fixed assets

	Land and buildings freehold £000	Leasehold property £000	Plant and equipment £000	Assets in the course of construction £000	Memorabilia £000	Total £000
Cost						
At 1 July 2022	23,337	2,544	8,581	5	167	34,634
Additions	-	-	1,301	1,058	50	2,409
At 30 June 2023	<u>23,337</u>	<u>2,544</u>	<u>9,882</u>	<u>1,063</u>	<u>217</u>	<u>37,043</u>
Depreciation and impairment						
At 1 July 2022	2,604	1,831	4,409	-	-	8,844
Depreciation charged in the year	510	102	748	-	-	1,360
At 30 June 2023	<u>3,114</u>	<u>1,933</u>	<u>5,157</u>	<u>-</u>	<u>-</u>	<u>10,204</u>
Carrying amount						
At 30 June 2023	<u><u>20,223</u></u>	<u><u>611</u></u>	<u><u>4,725</u></u>	<u><u>1,063</u></u>	<u><u>217</u></u>	<u><u>26,839</u></u>
At 30 June 2022	<u><u>20,733</u></u>	<u><u>713</u></u>	<u><u>4,172</u></u>	<u><u>5</u></u>	<u><u>167</u></u>	<u><u>25,790</u></u>

Stadium redevelopment

The final phase of the Tynecastle redevelopment project began during the year. This relates to the development of the Tynecastle Park Hotel on Level 2 of the main stand.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

14 Stocks

	2023	2022
	£000	£000
Finished goods and goods for resale	701	405

Inventories are stated after provisions for impairment of £38k (2022 - £47k).

15 Debtors

	2023	2022
	£000	£000
Amounts falling due within one year:		
Trade debtors	635	717
Other debtors	110	163
Prepayments and accrued income	992	726
	<u>1,737</u>	<u>1,606</u>

16 Creditors: amounts falling due within one year

	Notes	2023	2022
		£000	£000
Loans and overdrafts	18	1,542	1,033
Obligations under finance leases	19	201	64
Trade creditors		2,486	2,203
Other taxation and social security		1,162	1,576
Deferred income	21	4,149	4,479
Other creditors and accruals		1,697	1,075
		<u>11,237</u>	<u>10,430</u>

17 Creditors: amounts falling due after more than one year

	Notes	2023	2022
		£000	£000
Loans and overdrafts	18	661	2,198
Obligations under finance leases	19	411	139
		<u>1,072</u>	<u>2,337</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

18 Loans and overdrafts

	2023	2022
	£000	£000
Other loans	114	142
Loans from related parties	2,089	3,089
	<u>2,203</u>	<u>3,231</u>
Payable within one year	1,542	1,033
Payable after one year	661	2,198
	<u>661</u>	<u>2,198</u>

On 30 August 2021, the company signed a Consolidated Loan Agreement with Bidco (1874) Limited, the loan amount being £3,089k. As per the Agreement, monthly loan repayments commenced in November 2022. In the current year, repayments of £1m were made (2022: £nil). Interest on this loan is at the market rate. In the year, an interest charge of £149k was accrued (2022: £98k). 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 £114k (2022: £142k) relate to the provision of a loan under the government's Coronavirus Business Interruption Loan Scheme. The amount is repayable in monthly instalments over the next 3 years.

19 Finance lease obligations

	2023	2022
	£000	£000
Future minimum lease payments due under finance leases:		
Within one year	250	76
In two to five years	453	152
	<u>703</u>	<u>228</u>
Less: future finance charges	(91)	(25)
	<u>612</u>	<u>203</u>

During the year, the company entered into a number of new finance leases in order to acquire new floodlights, two large LED screens and a new kit van. 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 2023

20 Provisions for liabilities

Unrecognised deferred tax asset

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

	2023	2022
	£000	£000
Tax losses available	12,741	12,969
	<u>12,741</u>	<u>12,969</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.

21 Deferred income

	2023	2022
	£000	£000
Other deferred income	4,149	4,479
	<u>4,149</u>	<u>4,479</u>

22 Retirement benefit schemes

	2023	2022
	£000	£000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	100	98
	<u>100</u>	<u>98</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.

23 Share capital

	2023	2022
	£000	£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.

24 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.

25 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 2023

26 Other reserves

	Foundation of Hearts working capital reserve	Foundation of Hearts stadium redevelopment reserve	Total
	£000	£000	£000
At 1 July 2021	6,210	3,000	9,210
Transfer of Foundation of Hearts donations from profit and loss reserve	1,525	-	1,525
Waiver of senior loan	2,400	-	2,400
At 30 June 2022	10,135	3,000	13,135
Transfer of Foundation of Hearts donations from profit and loss reserve	1,627	-	1,627
At 30 June 2023	11,762	3,000	14,762

The Foundation of Hearts working capital reserve represents the funding received from Foundation of Hearts Limited.

On 30 August 2021 the Foundation of Hearts legally acquired the £2.4m senior debt from Bidco (1874) Limited after paying the final £100k for the acquisition of the 75.1% shareholding, in accordance with the Repayment and Funding Support Agreement.

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

The Foundation has contributed a further £1,627k during the year ended 30 June 2023 (2022 - £1,525k). 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.

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 support 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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2023	2022
	£000	£000
Acquisition of tangible fixed assets	3,839	679

28 Operating lease commitments

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:

	2023	2022
	£000	£000
Within one year	319	310
Between two and five years	1,375	1,335
In over five years	370	729
	<u>2,064</u>	<u>2,374</u>

29 Related party transactions

Remuneration of key management personnel

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

	2023	2022
	£000	£000
Aggregate compensation	<u>682</u>	<u>612</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

29 Related party transactions

(Continued)

Other transactions

On 30 August 2021, the company signed a Consolidated Loan Agreement with Bidco (1874) Limited, as detailed in Note 18. As at 30 June 2023, the balance owed to Bidco (1874) Limited in relation to this consolidated loan was £2,089k (2022: £3,089k). Interest on this loan is at the market rate and has accrued from 1 July 2020. Interest of £149k (2022 - £98k) was accrued during the year.

To facilitate the transfer of ownership from Bidco (1874) Limited to the Foundation of Hearts Limited and the Consolidated Loan Agreement, the company incurred £9k (2022 - £15k) of legal/other fees on behalf of Bidco (1874) Limited.

Foundation of Hearts Limited is a company in which D Cumming and G Mallon are also directors. During the year, the Foundation of Hearts Limited contributed a further £1,627k (2022 - £1,525k) to the company. As at 30 June 2023, 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 £14.8m (2022 - £13.2m). In the prior year to facilitate the 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 £42k of legal costs, no such costs were incurred this year.

During the year, the company purchased construction services from JB Contracts (Scotland) Limited amounting to £367k (2022 - £150k). At 30 June 2023, the company owed JB Contracts (Scotland) Limited £186k (2022 - £nil). 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 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 £45k (2022 - £20k) and received £38k (2022 - £18k) from the charity. As at 30 June 2023, the company was owed £6k (2022 - £2k) by Big Hearts Community Trust.

During the year, the company received £4m (2022 - £4m) in donations from a director. This amount is included within the £4.5m (2022 - £4.5m) donations from benefactors within note 9.

30 Ultimate controlling party

On 30 August 2021, Bidco (1874) Limited transferred 75.1% of its shareholding to Foundation of Hearts Limited. At that date a Working Together Agreement, relating to the management of the relationship between the parties was signed by Heart of Midlothian plc and Foundation of Hearts Limited

Foundation of Hearts Limited is the immediate parent entity.

The directors are of the opinion that there is no ultimate controlling party because, in substance, Foundation of Hearts Limited does not have control to govern the financial and operational policies of the Club.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

31 Subsidiaries

Details of the company's subsidiaries at 30 June 2023 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.

32 Analysis of changes in net funds

	1 July 2022	Cash flows	Other non-cash changes	30 June 2023
	£000	£000	£000	£000
Cash at bank and in hand	7,834	(2,191)	-	5,643
Borrowings excluding overdrafts	(3,231)	1,028	-	(2,203)
Obligations under finance leases	(203)	235	(644)	(612)
	<u>4,400</u>	<u>(928)</u>	<u>(644)</u>	<u>2,828</u>

33 Cash generated from operations

	2023	2022
	£000	£000
Profit for the year after tax	298	1,749
Adjustments for:		
Finance costs	242	113
Investment income	(1)	-
Gain on sale of registrations	(370)	(461)
Amortisation and impairment of intangible assets	1,021	350
Depreciation and impairment of tangible fixed assets	1,360	1,224
Movements in working capital:		
(Increase)/decrease in stocks	(296)	204
Decrease in debtors	97	321
(Decrease)/increase in creditors	(871)	1,071
(Decrease)/increase in deferred income	(330)	1,266
Cash (absorbed by)/generated from operations	<u>(1,150)</u>	<u>5,837</u>



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