

Company Registration No. SC005863 (Scotland)

HEART OF MIDLOTHIAN PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

HEART OF MIDLOTHIAN PLC

COMPANY INFORMATION

Directors	Dr A Budge D Cumming J Duncan K D Windram A McKinlay J Anderson G Mallon	(Appointed 1 July 2021) (Appointed 1 June 2022)
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

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HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present the strategic report for the year ended 30 June 2022.

Fair Review of the Business

Overview

We entered Financial Year 21/22 in a strong position and filled with optimism and confidence for the future. Despite the impact of Covid-19, made so much worse by having had to spend a year in the Championship, and despite not knowing when all the pandemic restrictions would be lifted, we set out to make season 21/22 a memorable one.

On the pitch, our First Team played their part. They once again reached the Scottish Cup Final and they convincingly secured a 3rd place finish in the Scottish Premiership, thereby guaranteeing Group Stage European football for the first time in almost 2 decades.

Off the field, too, this was a year that brought success. It was to be a year of “Change and Investment”. We introduced changes, both in structure and in resources, aimed, not only at returning the Club to its pre-Covid position but at creating a platform for continued growth and success. We strengthened across all areas of the business including Squad Recruitment, the Academy, the Women’s team and our Commercial Operations. In every case, our commitment and investment has already reaped rewards and we can look forward to an even greater return in the coming years.

But that is not all! What made this year so special? On August 30th 2021, the day we called “Heart & Soul Day”, Hearts became the largest fan-owned football club in the UK. The partnership between Bidco and Foundation of Hearts had delivered on its promise, shares were transferred, and majority ownership of the Club transferred from Bidco to the supporters. This is why 2021/22 was such a momentous year and one that will long be remembered in the history of Heart of Midlothian Football Club.

Board members... past and present... are proud to have played a part in achieving this major milestone and proud too, of every employee, player, manager, sponsor, business partner and benefactor whose support made this possible. Without them, and without our supporters and the FOH pledgers, this milestone could never have been achieved. We thank you all.

These financial accounts and the summary performance review make good reading. We are not just back to where we were before the devastating effects of the pandemic, we are so much stronger. Clearly, there will be more troubled times ahead as the UK looks set for a major recession. However, we can move forward with confidence that we are well positioned to come through yet another major economic crisis and emerge stronger. We will do so as a fan-owned club, confident in the knowledge that our ownership model works.

Governance Matters

At the end of June 2022 Stuart Wallace stood down from his non-executive Director role after 5 years. Gerry Mallon, CEO of Tesco Bank, having been appointed to take over from Stuart as Chairman of the Foundation of Hearts, took his seat on the Club Board in July 2022.

The Board would like to express its gratitude to Stuart for his valuable contribution over his time on the Board. We would also like to wish Gerry every success, confident that he will play a huge part in helping us move the Club forward.

Footballing Operation

The start of what was to be a very successful season kicked off on the 31st July with a memorable win against Celtic at Tynecastle Park. By the 9th April 2022, we had achieved, pre-split, a guaranteed third place finish. This was a massive achievement by all involved in our return to the Premiership guaranteeing, as it did, European Group Stage football, for the first time since 2004.

Our third trip to the Scottish Cup final in four years unfortunately once again, did not bring the success we all hoped for. That said, the achievement of making it to the Scottish Cup final once again must be commended.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Fair Review of the Business (Continued)

Robbie Neilson and Joe Savage, Sporting Director, continued to work closely together to strengthen the squad. As well as securing extensions for some of our key players, we welcomed 10 new squad players and 3 loanees during the 21/22 season, including 3 international level players from down-under.

In line with our strategy to build a squad based on youth not only through the transfer market, we also saw senior squad debuts for four of our own Academy Graduates. Well done to them all.

Our commitment to youth remaining as strong as ever, in February 2022 we appointed Frankie McAvoy as our new Academy Director. Frankie brought with him a wealth of experience to shape the Academy for sustained success, having coached at youth level all the way through to coaching in the Premier League and managing in the Championship. We backed Frankie with a number of new appointments to help strengthen our coaching teams and back-up support teams at all levels.

In 21/22, we also took the decision to enter a B Team into the Lowland League. This is a major investment on the part of the Club aimed at helping our young players make a successful transition from the Academy to the 1st team. This gives them the opportunity to play a full season against experienced players in a truly competitive league while being coached to play the same style of football as our 1st team squad.

We continued to invest, too, in our Women's Team. Since taking the reins at Hearts in the summer of 2021, Eva Olid has focussed on developing the players and implementing a fully professional training regime, supported by our Performance department with all the services they provide at Oriam. We further strengthened our commitment to Eva and her team in March with the announcement that they would be moving to semi-professional status. Our Women's 1st team has been transformed and there are truly exciting times ahead.

Commercial Operations

All of our commercial departments were able to return to normal operations as the season progressed. The support from our fans was once again magnificent. We had record sales in retail and hospitality as supporters showed their delight at returning to Tynecastle. This continued month on month and before we had even kicked a ball in the 22/23 season we had sold out our season ticket allocation. A record number, in modern times, of 15,500 supporters bought season tickets and a further 1,000 joined the waiting list.

This truly remarkable support justifies all of the investment we have made and will continue to make as we continue to build a strong and sustainable future for the Club.

Other Highlights

Our Sponsorship Team has continued to find innovative ways of securing sponsorship funding, which underpins our ethos of supporting our local community and major charities.

Our partnership with Dell Technologies continues to support the work of our Innovation Centre, while also enabling us to significantly raise awareness of, and financial support for, the charity MND Scotland. This partnership has further strengthened to see Dell work with us to assist the growth of Women's football while, at the same time helping to promote the charity SWiT (Scotland Women in Technology).

We are delighted also to have welcomed Stellar Omada, one of Scotland's fastest growing IT Companies, to join us in our efforts to provide free digital education to young people in our community. This again is centred around our Innovation Centre, an initiative which allows the Club to work with major Technology partners to help address some of the educational challenges facing young people today. We look forward to further developing these relationships over the coming years.

Worthy of special mention is that despite the Foundation of Hearts now being the majority shareholder in the club, the numbers of supporters continuing to pledge has never faltered, which is testament indeed to the "Pledge for Life" mantra of the Foundation. Since its inception to October 2022, FOH has contributed almost £14 million of funding to the Club. This truly amazing financial support has allowed us to continue to invest, even during a pandemic, in players, staff and infrastructure, to help secure a long term sustainable future for the Club.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Fair Review of the Business (Continued)

Finally, entry into the group stages of a European Competition brings with it many challenges from a UEFA compliance perspective. Once we were guaranteed group stage football, work started immediately to ensure we could meet the exacting standards necessary to allow us to host these games at Tynecastle. Our recently installed new floodlights needed to be further improved, stadium security and media facilities were improved, work to provide automated entry at all turnstiles was commissioned and an order for giant screens was placed.

Season 22/23 will undoubtedly be another memorable season.

Financials

Our financial results for the year show that we have returned to 'business as usual' following the significant impact posed by the Covid pandemic in recent years.

This is demonstrated by a significant £6.9m year on year increase in turnover to £14.6m, reflecting pre-Covid levels of business. We have enjoyed growth in all areas of income, particularly because of the return of supporters to football and our on-pitch success.

We have continued to invest heavily in our people. With the ongoing support of our benefactors and the Foundation of Hearts we have been able to increase our playing budget significantly this year and to continue to develop our staffing both on the football support side of the business and in our administrative and commercial areas.

Our operating costs have increased by 60% year on year, reflecting our revenue growth, the impact of the recent cost-of-living increase and our commitment to continue to invest for the future.

We are delighted to report an EBITDA of £3m.

In addition, we generated a gain on sale of players of £461k, principally arising from the sell-on of Uche Ikpeazu and the sale of Andy Irving.

The company's balance sheet at 30 June 2022 remains strong with net assets of approximately £24.1m. Net assets were boosted by the waiver of the £2.4m senior loan held by Foundation of Hearts Limited following the transfer from Bidco (1874) Limited in August 2021.

Our cash inflow during the year was £5.2m. This arose through the generation of £5.8m from operating activities and the receipts from the sale of players of £0.3m, offset by a £0.7m investment in acquiring new players and the purchase of fixed assets, and the repayment of loans and interest, amounting to £0.2m.

The year was once again a challenging one, following the difficulties faced during the Covid years. However we are pleased to see a degree of normality return to our business and are delighted that our financial results reflect this. We are, as always, extremely grateful for the support given to the Club from our supporters, shareholders, benefactors, sponsors, partners, the Foundation of Hearts Limited and of course our employees and players. The Board would like to express its thanks to every one of these groups 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 basis and in particular during the annual budgeting and quarterly reforecasting exercises.

HEART OF MIDLOTHIAN PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

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.

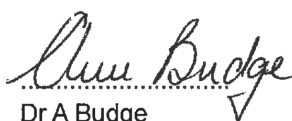
The desirability of the company maintaining a reputation for high standards of business conduct.

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

11th Oct. '22

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

The directors present the corporate and social responsibility statement for the year ended 30 June 2022.

Introductory Remarks

Heart of Midlothian Football Club believes it occupies a special and privileged position in Scotland. The Club recognises its unique position as a force for good in the community and has an unshakeable ethos of always looking after the interests of the community and the supporters. In August 2021, Hearts became the largest fan-owned club in the UK. It is fundamentally important, therefore, that Hearts conducts all aspects of its business with a view on the impact of its decisions on the community it serves. This is best evidenced in choice of major sponsors. Since 2014, the Club has refused to take sponsorship directly from gambling companies, payday lenders and other organisations whose products and services could be detrimental to the health, wealth and wellbeing of our supporters.

Community-focused sponsorships

This strongly principled stance has led to a different approach to sponsorship having sported the name of Save the Children on the front of the men's first team shirt since 2015, Hearts entered a new and inspiring partnership with Dell Technologies for Season 21-22. Dell Technologies has been working with Hearts since 2018, providing laptops and equipment for the Club's pioneering Innovation Centre. The Centre delivers free digital education to young people and adults and has been successful in getting young people from the local area into careers in the technology sector where, traditionally, they have been underrepresented.

In 2021, Dell Technologies stepped up to become the Club's Principal Sponsor. Hearts and Dell Technologies announced a new partnership that saw the technology giant gift the front of shirt to MND Scotland in a touching gesture that paid tribute to Hearts' legendary cup-winning captain, Marius Zaliukas, who had lost his life to Motor Neurone Disease at the end of 2020. This initiative proved to be resoundingly popular with supporters, prompting levels of engagement on a scale never witnessed previously. In the year up to June 2022, the Club and supporters raised almost £90,000 for the charity. Our players engaged in a lobbying campaign which saw government awarding £50 Million to accelerate research into a future cure for the disease.

Dell Technologies also underlined their commitment to diversity by signing up as lead sponsor in a new initiative to support the further development of Hearts' Women. This led to Hearts' Women benefiting from one of the most lucrative sponsorship deals in Scottish Women's football. The front of shirt of their home and away jerseys is being used to promote the work of the charity, Scotland Women in Technology (SWiT). SWiT exists to support more girls and women to develop careers in technology.

Girls in Scotland are dropping out of both sport and technology between the ages of 11 and 13. By the time they reach 14, over 50% are taking no exercise. The only sport which is bucking this worrying trend is football and the Club is redoubling efforts to get more girls involved at both community and elite levels. Similarly, by the age of 14, fewer than 20% of girls are studying subjects that would equip them for a career in technology. By creating new role models in the Hearts Women's team, we are encouraging girls to get involved in football. Equally, by having girls' heroes sporting Scotland Women in Technology on their shirts, we are helping to normalise the concept of a career in Scotland's burgeoning digital economy.

This has supported investment by the Club, including the appointment of Eva Olid, one of only a handful of UEFA Pro Licence holders, as Hearts Women's first team coach. Hearts is determined that the Club should reflect the communities it serves and continues to take a pioneering approach to growing the game for girls and women in Scotland.

Supporting our community

Off the pitch, Hearts and our Charity, Big Hearts continued to deliver a host of community support services, expanding their range of activities designed to help children, families and older people live better, safe and fulfilling lives.

HEART OF MIDLOTHIAN PLC

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

Supporting our community (continued)

With support from the Club and community partners, Big Hearts developed further initiatives to improve mental health at all ages. A range of peer support groups and wellbeing activities were delivered at the Stadium, with 70+ adults and 80+ young people involved every month.

The Big Hearts' space in the Wheatfield Stand 'The Shed' continued to play a vital role in tackling loneliness, with over 1,440 befriending hours delivered and an average of 65 older people enjoying reminiscing together at the popular twice weekly 'Memories' afternoons.

The Big Hearts Supporters' movement, the charity's acclaimed volunteering programme, contributed a record 4,800 hours of support across the community. The initiative was recognised at European level and awarded 'most innovative and impactful community project' in professional European football.

Following a consultation process, the charity initiated new projects in support of equal opportunities for all. In partnership with the SPFL Trust, over 30 young adults obtained SQA qualifications, through football-based courses focusing on education and employability. The new 'Welcome Through Football' project helped 75 young refugees rebuild their lives in Edinburgh.

With 245 days of activities and 3,400 free meals delivered, Big Hearts remained committed to improving the lives of groups most in need. At Christmas time, 240 volunteer Hearts fans helped deliver 500 bespoke gifts and 500 fresh festive meals to struggling families across South West Edinburgh.

Hearts' Community Football Department extended the reach of their holiday courses, football expos and schools programmes. Over 7,000 young people took part in activities throughout the year with events taking place in Tynecastle, the Lothians and Borders and Fife. A new series of girls-only expos were enjoyed by 250 participants at each event.

Heritage Department and Innovation Centre

Our Heritage Department opened the doors to the museum once again with a new exhibit reflecting the supporter experience at Hearts.

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.

Innovation Centre

Our Innovation Centre sponsored by Baillie Gifford and supported by Dell Technologies provided a summer online Digifest for young learners and ran online clubs until such time as schools permitted face to face extracurricular classes to resume. We welcomed on board a new sponsor, Stellar Omada, one of Scotland's fastest growing tech companies to deliver a new face to face programme that saw pupils from local schools design applications to enhance supporters' experience at matches. Stellar Omada has gone on to recruit talent from the Innovation Centre whilst other participants have embarked on new graduate apprenticeships or entered tertiary education.

We are committed to giving young people these opportunities and have renewed our efforts to support the cohort that has been so disproportionately affected by the pandemic. This support has helped to develop the skills required for work in the technology sector where our local community is so badly underrepresented.

To conclude:

The significance of entering into fan ownership cannot be overstated. It is one of the most outstanding exemplars of a community coming together with a common purpose, showing tremendous resilience in the face of adversity and showing the tenacity to build a pledging model that will sustain Hearts into the future.

HEART OF MIDLOTHIAN PLC

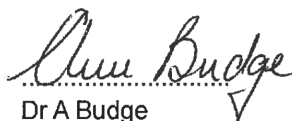
CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

To conclude (continued):

Our new sponsorships for the men's and women's teams reflect Hearts' commitment to have the highest standards of integrity and community focus in all that we do. This principled stance continues to attract a different breed of sponsor who can take advantage of the Club's unique connection across all strands of society to deliver corporate social responsibility programmes. In turn, this delivers unparalleled support for communities' health and wellbeing and the educational and employment prospects of young people.

We are immensely proud of the achievements of our charity, Big Hearts, our Community Football Department, our Heritage Department and our Innovation Centre. Their work is made possible by the generosity of sponsors and funders who share our values and by the volunteering efforts of a highly engaged fanbase.

On behalf of the board



Dr A Budge

Director

11th Oct '22

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present their report and financial statements for the year ended 30 June 2022.

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	
S Wallace	(Resigned 31 May 2022)
K D Windram	
A McKinlay	
J Anderson	(Appointed 1 July 2021)
G Mallon	(Appointed 1 June 2022)

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.

HEART OF MIDLOTHIAN PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

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.

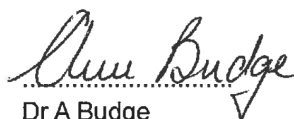
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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

11th Oct. '22

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 2022 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 2022 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 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.

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 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:

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.

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:

- FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation
- General Data Protection Regulation

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 and of board minutes.

HEART OF MIDLOTHIAN PLC

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

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. As a result of performing these procedures we have assessed no areas as having a heightened risk of fraud.

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

- reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation 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;
- 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 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.

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.

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 2022

	Notes	Operations excluding player trading £000	Player trading £000	2022 Total £000	2021 Total £000
Turnover	3	14,644	-	14,644	7,692
Staff costs	6	(11,225)	-	(11,225)	(7,502)
Other operating charges		(6,673)	-	(6,673)	(4,165)
Donations	9	5,985	-	5,985	6,385
Loan fee income		-	244	244	247
Profit on ordinary activities before interest, depreciation, amortisation and other exceptional items		2,731	244	2,975	2,657
Depreciation and other amounts written off tangible and intangible fixed assets	12, 13	(1,224)	(350)	(1,574)	(1,443)
Gain on sale of players' registrations	4	-	461	461	944
Profit on ordinary activities before interest	8	1,507	355	1,862	2,158
Interest payable and similar charges	10			(113)	(143)
Profit on ordinary activities before taxation				1,749	2,015
Taxation	11			-	-
Profit for the financial year				1,749	2,015

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 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Intangible assets	12	1,246	332
Tangible assets	13	25,790	26,528
		27,036	26,860
Current assets			
Stocks	14	405	609
Debtors	15	1,606	1,779
Cash at bank and in hand		7,834	2,591
		9,845	4,979
Creditors: amounts falling due within one year	16	(10,430)	(10,679)
Net current liabilities		(585)	(5,700)
Total assets less current liabilities		26,451	21,160
Creditors: amounts falling due after more than one year	17	(2,337)	(1,195)
Net assets		24,114	19,965
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	13,135	9,210
Profit and loss reserves		(16,597)	(16,821)
Total equity		24,114	19,965

The financial statements were approved by the board of directors and authorised for issue on 11th Oct '22 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 2022

	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 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		-	-	-	1,666	(1,666)	-
Balance at 30 June 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

HEART OF MIDLOTHIAN PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

		2022		2021	
	Notes	£000	£000	£000	£000
Cash flows from operating activities					
Cash generated from operations	33		5,837		470
Investing activities					
Payments to acquire player registrations		(408)		(233)	
Receipts from sale of player registrations		328		224	
Purchase of tangible fixed assets		(333)		(204)	
Net cash used in investing activities			(413)		(213)
Financing activities					
Receipt/(repayment of) related party loans		(5)		-	
Receipt/(repayment of) other loans		(29)		171	
Interest and arrangement fees paid		(107)		(143)	
Repayment of finance leases obligations		(40)		(70)	
Net cash used in financing activities			(181)		(42)
Net increase in cash and cash equivalents			5,243		215
Cash and cash equivalents at beginning of year			2,591		2,376
Cash and cash equivalents at end of year			7,834		2,591

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 June 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 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. 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 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 2022

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. 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.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

Impairment of fixed assets (continued)

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.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

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.

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.

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

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.

A grant was provided in the prior year for employee costs as part of the government's Job Retention Scheme.

1.16 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 2022

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:

	2022 £000	2021 £000
Turnover analysed by class of business		
Gate receipts	5,206	1,813
Sponsorship and advertising	934	747
Broadcasting rights	377	348
Commercial	4,395	1,591
UEFA solidarity and prize money	3,108	1,689
Other operating income	624	1,504
	<u>14,644</u>	<u>7,692</u>
	2022 £000	2021 £000
Other revenue amounts included within other operating income		
Furlough grants received	-	726
Government grant received	127	500
SPFL Trust grant received	-	50
	<u>127</u>	<u>1,276</u>

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

3	Turnover and other revenue		(Continued)
		2022	2021
		£000	£000
	Turnover analysed by geographical market		
	UK	14,644	7,692

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	2022	2021
		£000	£000
	Proceeds from sale of player registrations	476	1,073
	Costs of player registrations sold or terminated	(15)	(129)
	Gain on sale of players	461	944

5	Auditor's remuneration	2022	2021
		£000	£000
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the company	26	23
	For other services		
	Taxation compliance services	6	7
	Other taxation services	10	17
	All other non-audit services	4	-
		20	24

6 Employees

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

	2022	2021
	Number	Number
Players, coaching and football support staff	117	89
Administration and commercial staff	120	87
Total	237	176
Part-time matchday staff	105	22

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

6 Employees

(Continued)

Their aggregate remuneration comprised:

	2022 £000	2021 £000
Wages and salaries	10,092	6,724
Social security costs	1,035	706
Pension costs	98	72
	<u>11,225</u>	<u>7,502</u>

The company incurred £nil (2021 - £1,831k) of salary costs in relation to individuals who were placed on the Covid-19 Job Retention Scheme.

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 54% (2021 – 53%).

7 Directors' remuneration

	2022 £000	2021 £000
Remuneration for qualifying services	<u>277</u>	<u>187</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2021 - 2).

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

	2022 £000	2021 £000
Remuneration for qualifying services	<u>174</u>	<u>100</u>

8 Profit on ordinary activities

	2022 £000	2021 £000
Profit on ordinary activities before interest for the year is stated after charging/(crediting):		
Exchange losses/(gains)	95	-
Depreciation of owned tangible fixed assets	1,224	1,190
Amortisation of intangible assets	350	253
Cost of stocks recognised as an expense	982	636
Impairment of stocks recognised or reversed	(21)	13
Operating lease charges	<u>391</u>	<u>315</u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

9 Donations

Included in donations is the following:

	2022 £000	2021 £000
Donations from benefactors	4,460	4,715
Donations from FOH	1,525	1,666
Other donations	-	4
	<u>5,985</u>	<u>6,385</u>

The company's principal benefactors have continued to support the business during the year with a total donation contribution of £4,460k (2021 - £4,715k).

The Foundation of Hearts provided donations amounting to £1,525k (2021 - £1,666k) 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 26.

Other donations of £nil (2021 - £4k) comprise ad hoc monies received from supporters and other individuals.

10 Interest payable and similar charges

	2022 £000	2021 £000
Interest on financial liabilities measured at amortised cost:		
Late payment interest	-	33
Interest on finance leases and hire purchase contracts	9	15
Interest payable to group undertakings	-	70
Interest payable to related parties	98	25
Interest payable on other loans	6	-
	<u>113</u>	<u>143</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 prior year. All outstanding amounts were cleared during the year.

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

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

11 Taxation

	2022 £000	2021 £000
Current tax		
UK corporation tax on profits for the current period	-	-

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

	2022 £000	2021 £000
Profit before taxation	1,749	2,015
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	332	383
Tax effect of expenses that are not deductible in determining taxable profit	13	24
Tax effect of income not taxable in determining taxable profit	-	(2)
Change in unrecognised deferred tax assets	(561)	2,734
Permanent capital allowances in excess of depreciation	83	108
Other permanent differences	4	-
Deferred tax adjustments in respect of prior years	129	(3,247)
Tax credit for the year	-	-

12 Intangible fixed assets

	Players' registrations £000
Cost	
At 1 July 2021	744
Additions	1,279
Disposals	(310)
At 30 June 2022	1,713
Amortisation and impairment	
At 1 July 2021	412
Amortisation charged for the year	350
Disposals	(295)
At 30 June 2022	467
Carrying amount	
At 30 June 2022	1,246
At 30 June 2021	332

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

13 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 2021	23,337	2,544	7,989	111	167	34,148
Additions	-	-	481	5	-	486
Transfers	-	-	111	(111)	-	-
At 30 June 2022	23,337	2,544	8,581	5	167	34,634
Depreciation and impairment						
At 1 July 2021	2,095	1,729	3,796	-	-	7,620
Depreciation charged in the year	509	102	613	-	-	1,224
At 30 June 2022	2,604	1,831	4,409	-	-	8,844
Carrying amount						
At 30 June 2022	20,733	713	4,172	5	167	25,790
At 30 June 2021	21,242	815	4,193	111	167	26,528

14 Stocks

	2022 £000	2021 £000
Finished goods and goods for resale	405	609

Inventories are stated after provisions for impairment of £47k (2021 - £68k).

15 Debtors

	2022 £000	2021 £000
Amounts falling due within one year:		
Trade debtors	717	266
Other debtors	163	1,294
Prepayments and accrued income	726	219
	1,606	1,779

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

16 Creditors: amounts falling due within one year

	Notes	2022 £000	2021 £000
Loans and overdrafts	18	1,033	4,531
Obligations under finance leases	19	64	29
Trade creditors		2,203	1,819
Other taxation and social security		1,576	511
Deferred income	21	4,479	3,213
Other creditors and accruals		1,075	576
		<u>10,430</u>	<u>10,679</u>

17 Creditors: amounts falling due after more than one year

	Notes	2022 £000	2021 £000
Loans and overdrafts	18	2,198	1,134
Obligations under finance leases	19	139	61
		<u>2,337</u>	<u>1,195</u>

18 Loans and overdrafts

	2022 £000	2021 £000
Other loans	142	171
Loans from group undertakings - senior loan	-	2,400
Loans from group undertakings - short-term loan	-	2,095
Loans from related parties	3,089	999
	<u>3,231</u>	<u>5,665</u>
Payable within one year	1,033	4,531
Payable after one year	2,198	1,134

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

18 Loans and overdrafts

(Continued)

During the year 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, £5k (2021 - £nil) of this loan was repaid before the facility was consolidated in the new Consolidated Loan Agreement.

During the year, the short-term facilities of £2,095k 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 £142k (2021 - £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 4 years.

19 Finance lease obligations

	2022 £000	2021 £000
Future minimum lease payments due under finance leases:		
Within one year	64	34
In two to five years	139	65
	<hr/> 203	<hr/> 99
Less: future finance charges	(25)	(9)
	<hr/> 178	<hr/> 90

The company has entered into a number of finance leases in order to acquire new kitchen and IT equipment. In addition, new roller shutters to enhance the security of the stadium were also financed during the year. 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.

20 Provisions for liabilities

Unrecognised deferred tax asset

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

	2022 £000	2021 £000
Tax losses available	12,969	13,530
	<hr/> 12,969	<hr/> 13,530

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 2022

21 Deferred income

	2022 £000	2021 £000
Other deferred income	4,479	3,213
	<u>4,479</u>	<u>3,213</u>

22 Retirement benefit schemes

	2022 £000	2021 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	98	72
	<u>98</u>	<u>72</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

	2022 £000	2021 £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 2022

26 Other reserves

	Foundation of Hearts working capital reserve	Foundation of Hearts stadium redevelopment reserve	Total
	£000	£000	£000
At 1 July 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
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

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.

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 £1,525k during the year ended 30 June 2022 (2021 - £1,666k). 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 2022

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022	2021
	£000	£000
Acquisition of tangible fixed assets	679	20
	<u> </u>	<u> </u>

28 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:

	2022	2021
	£000	£000
Within one year	310	301
Between two and five years	1,335	1,296
In over five years	729	1,078
	<u>2,374</u>	<u>2,675</u>

29 Related party transactions

Remuneration of key management personnel

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

	2022	2021
	£000	£000
Aggregate compensation	612	455
	<u> </u>	<u> </u>

HEART OF MIDLOTHIAN PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

29 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. Upon completion of equity purchase of the club by the Foundation of Hearts Limited on 30 August 2021, the participation rights transferred to the Foundation and were formally waived on 31 August 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, £5k (2021 - £nil) of this loan was repaid. On 30 August 2021, this facility formed part of the new Consolidated Loan Agreement detailed in note 18.

On 30 August 2021, a new Consolidated Loan Agreement detailed in note 18 was formed, comprising of the short-term facilities owed to Bidco (1874) Limited and the loan owed to a director. As at 30 June 2022, the balance owed to Bidco (1874) Limited in relation to this consolidated loan was £3,089k. Interest on this loan is at the market rate and has accrued from 1 July 2020. Interest of £98k (2021 - £95k) 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 £15k (2021 - £12k) of legal fees on behalf of Bidco (1874) Limited.

Foundation of Hearts Limited is a company in which D Cumming, S Wallace and G Mallon are also directors. During the year, the Foundation of Hearts Limited contributed a further £1,525k (2021 - £1,666k) to the company. As at 30 June 2022, 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 £13.2m (2021 - £11.7m). 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 (2021 - £74k) of legal costs during the year.

During the year, the company purchased construction services from JB Contracts (Scotland) Limited amounting to £150k (2021 - £110k). At 30 June 2022, the company owed JB Contracts (Scotland) Limited £nil (2021 - £12k). 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 £20k (2021 - £4k) and received £18k (2021 - £2k) from the charity. As at 30 June 2022, the company was owed £2k (2021 - £nil) by Big Hearts Community Trust.

During the year, the company received £4m (2021 - £4.2m) in donations from a director. This amount is included within the £4.5m (2021 - £4.7m) 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 2022

31 Subsidiaries

Details of the company's subsidiaries at 30 June 2022 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/(debt)

	1 July 2021	Cash flows	Other non-cash changes	30 June 2022
	£000	£000	£000	£000
Cash at bank and in hand	2,591	5,243	-	7,834
Borrowings excluding overdrafts	(5,665)	34	2,400	(3,231)
Obligations under finance leases	(90)	(113)	-	(203)
	<u>(3,164)</u>	<u>5,164</u>	<u>2,400</u>	<u>4,400</u>

33 Cash generated from operations

	2022 £000	2021 £000
Profit for the year after tax	1,749	2,015
Adjustments for:		
Finance costs	113	143
Gain on sale of registrations	(461)	(944)
Amortisation and impairment of intangible assets	350	253
Depreciation and impairment of tangible fixed assets	1,224	1,190
(Decrease) in provisions	-	(646)
Movements in working capital:		
Decrease/(increase) in stocks	204	(30)
Decrease in debtors	321	34
Increase/(decrease) in creditors	1,071	(1,294)
Increase/(decrease) in deferred income	1,266	(251)
Cash generated from operations	<u>5,837</u>	<u>470</u>