

Company Registration No. SC387126 (Scotland)

FOUNDATION OF HEARTS LIMITED
ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

FOUNDATION OF HEARTS LIMITED

COMPANY INFORMATION

Directors

Mr D Cumming
Ms L E Strutt
Mr P Cheshire
Mr G Mallon
Mr A Brown
Mr J Burberry (Appointed 15 December 2022)
Mr G Robertson (Appointed 15 December 2022)

Company number SC387126

Registered office

Collins House
Rutland Square
Edinburgh
EH1 2AA

Accountants

Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

FOUNDATION OF HEARTS LIMITED

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FOUNDATION OF HEARTS LIMITED

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30 JUNE 2023

Our year in numbers

On the pitch, in the 2022/23 season, the fortunes of Heart of Midlothian FC were mixed. An enjoyable first venture into the group stages of the Europa Conference League brought new destinations and experiences for all of us. Domestically, inconsistent performances led to an ultimately disappointing 4th place SPFL finish and a change of management team.

However, one thing that remained consistent over the season has been the unwavering support of the owners of the club. Pledges to the Foundation of Hearts remained at a rock solid level as members demonstrate their unswerving loyalty to the cause of HMFC.

The Foundation of Hearts continued to receive a high level of member donations, and undeterred by the expense of European travel and the cost of living crisis, the relentless support of Foundation members allowed continued investment in the club.

In October 2023, our membership number remained consistent with 12 months ago, at 8,556.

By March 2023 our members' total donations passed the phenomenal milestone of £15m, with £1.627 million passed to the club during the course of the financial year to June 2023.

In the past year, over 500 members received their plot certificates at 9 plot ceremonies. Director of Members' Affairs, Garry Halliday, has now delivered 74 plot ceremonies for over 4000 members with a humour and inspiration which epitomises the Hearts fan base and the FoH cause.

This year's 'Open Day' was repurposed to focus on catching up on rewards for members who given the pandemic-related hiatus, missed out on rewards ceremonies. 1200 pledgers participated and we were delighted to have participation from the full first team squad and the management team – showing how highly the club values the commitment from Foundation members and how the players rightly want to pay tribute to 'The legends in the stands'.

And we have recently announced that members have achieved yet another landmark – with a cumulative £16m now donated to the Foundation by the owners of HMFC.

Governance

In December 2022 two Directors were elected unopposed to the Foundation Board, Jim Burberry and Graham Robertson, to succeed Stuart Wallace and Alastair Bruce.

Our AGM in December 2023 will see the end of the terms of office of two Directors – Paul Cheshire and Donald Cumming. Paul is standing for another term, but Donald will have reached the maximum three terms of nine years on the Board, so will be stepping down.

I want to pay tribute to Donald, who for many years has gone above and beyond the call of duty in his unstinting work in service of Heart of Midlothian.

Donald has been the quiet and diligent brain behind the Foundation. His contributions in legal and governance matters for both the Foundation of Hearts and the club have provided a structural bedrock of how we conduct our affairs.

Donald's calm and wise counsel and thoughtful efforts have helped ensure that both organisations are built in a stable and resilient way, to give pride and pleasure for generations of supporters to come.

This autumn we sought nominations from amongst Foundation members for the two specialist Director roles for financial and legal expertise. Paul Cheshire is the only nominated candidate for the financial role. Two candidates have come forward with legal expertise and will participate in an election amongst members.

FOUNDATION OF HEARTS LIMITED

CHAIRMAN'S REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Future

Building upon the insights of the fan survey conducted last year, the Foundation Board has been working to redevelop our strategy and vision for the future, which we look forward to delivering with a growing group of talented and enthusiastic volunteers. In particular, we will be looking to make it easier to introduce a new generation of Hearts fans to the cause of the Foundation, and to work to make becoming an owner of the club an achievable aspiration for every fan.

Our focus is on the long term of HMFC. The future of the Foundation and by extension the club rests with the next generation of owners, and the next few years will be focused on paving the way for their future participation.

Conclusion

As we reach the momentous 150th anniversary of the founding of our club, its security and resilience under fan ownership has never been stronger.

The Foundation continues to strive to fulfil its mandate to “create foundations and harness the passion, to help fulfil and maintain Hearts’ destiny of greatness”.

As the largest fan owned club in the UK, we have stayed close to the activities of the club and its board, via our two nominated directors. As the largest shareholder of Heart of Midlothian, and as a club which is “fan owned, not fan-run” it is critically important that we remain confident in the capability of the club board and its strategy. I am pleased to say that we remain confident that the club board and management are developing it in a way which is conducive both to the success on the pitch, but also long term financial stability, and with responsibility towards our communities.

Once again, on behalf of the Directors of the Foundation of Hearts, I pay tribute to the Legends in the Stands – who gave this club life and guaranteed its continuity – who who can now proudly call themselves owners of their club. Thank you for continuing to make the the future for Hearts an outstandingly positive prospect.



.....
Gerry Mallon

Chairman, Foundation of Hearts

Date: 27 November 2023
.....

FOUNDATION OF HEARTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

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

Principal activities

The principal activity of the Foundation of Hearts Limited ("Foundation") is the administration of a membership organisation. The aim of the Foundation is to establish a secure future for Heart of Midlothian Football Club under fan ownership. The Foundation undertook to work with Bidco (1874) Ltd ("Bidco") to achieve this goal and in May 2014 the Foundation entered into an agreement with Bidco ("the agreement") under which ownership of Heart of Midlothian Football Club ("the club") would ultimately be transferred to the Foundation. On 30 August 2021 the Foundation acquired 75.1% of the equity in Heart of Midlothian plc from Bidco.

Directors

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

Mr D Cumming	
Mr S Wallace	(Resigned 15 December 2022)
Mr D A R Bruce	(Resigned 15 December 2022)
Ms L E Strutt	
Mr P Cheshire	
Mr G Mallon	
Mr A Brown	
Mr J Burberry	(Appointed 15 December 2022)
Mr G Robertson	(Appointed 15 December 2022)

Results and dividends

During the year ended 30 June 2023, the Foundation received donations amounting to £1,705,994 (2022: £1,699,928) from supporters of Heart of Midlothian Football Club. The grand total of all donations received is £15,495,838 as at 30 June 2023. The donations received have been credited to the profit and loss account for the financial period.

The accumulated total advanced to Heart of Midlothian plc and Bidco (1874) Ltd as at 30 June 2023, including stadium redevelopment contributions, was £14,971,000 at 30 June 2023 which represents 97% of donations received.

Two current Foundation directors serve on the board of Heart of Midlothian plc. D Cumming and G Mallon were appointed on 1 July 2015 and 1 June 2022 respectively.

FOUNDATION OF HEARTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

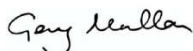
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



.....
G Mallon
Director

27 November 2023
Date:

FOUNDATION OF HEARTS LIMITED

REPORT TO THE DIRECTORS ON THE PREPARATION OF THE UNAUDITED STATUTORY ACCOUNTS OF FOUNDATION OF HEARTS LIMITED

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Foundation of Hearts Limited for the year ended 30 June 2023 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of ICAS we are subject to its ethical and other professional requirements which are detailed at <https://icas.com/icas-framework-preparation-of-accounts>.

This report is made solely to the Board of Directors of Foundation of Hearts Limited, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken solely to prepare for your approval the financial statements of Foundation of Hearts Limited and state those matters that we have agreed to state to the Board of Directors of Foundation of Hearts Limited, as a body, in this report in accordance with the requirements of the ICAS as detailed at <https://icas.com/icas-framework-preparation-of-accounts>. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Foundation of Hearts Limited and its Board of Directors as a body, for our work or for this report.

It is your duty to ensure that Foundation of Hearts Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and profit of Foundation of Hearts Limited. You consider that Foundation of Hearts Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the accounts of Foundation of Hearts Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory accounts.

Johnston Carmichael LLP

Johnston Carmichael LLP

Chartered Accountants

27 November 2023
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7-11 Melville Street
Edinburgh
EH3 7PE

FOUNDATION OF HEARTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2023

		2023	2022
		£	£
Turnover		1,705,994	1,699,928
Administrative expenses		(70,366)	(70,646)
Exceptional item	2	(1,627,000)	(1,525,000)
Profit before taxation		8,628	104,282
Tax on profit	4	-	-
Profit for the financial year		<u>8,628</u>	<u>104,282</u>

FOUNDATION OF HEARTS LIMITED

BALANCE SHEET

AS AT 30 JUNE 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	5		6,000		-
Investments	7		2,500,000		2,500,000
			<u>2,506,000</u>		<u>2,500,000</u>
Current assets					
Debtors	8	-		405	
Cash at bank and in hand		25,105		23,836	
		<u>25,105</u>		<u>24,241</u>	
Creditors: amounts falling due within one year	9	(4,572)		(6,336)	
				<u>17,905</u>	
Net current assets			<u>20,533</u>		<u>17,905</u>
Total assets less current liabilities			<u>2,526,533</u>		<u>2,517,905</u>
Capital and reserves					
Profit and loss reserves			<u>2,526,533</u>		<u>2,517,905</u>

For the financial year ended 30 June 2023 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

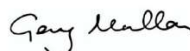
The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 27 November 2023 and are signed on its behalf by:



.....
P Cheshire
Director



.....
G Mallon
Director

Company Registration No. SC387126

FOUNDATION OF HEARTS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Profit and loss reserves
Balance at 1 July 2021	2,413,623
Year ended 30 June 2022:	
Profit and total comprehensive income for the year	104,282
	<hr/>
Balance at 30 June 2022	2,517,905
Year ended 30 June 2023:	
Profit and total comprehensive income for the year	8,628
	<hr/>
Balance at 30 June 2023	<u>2,526,533</u>

FOUNDATION OF HEARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

Company information

Foundation of Hearts Limited is a company limited by guarantee incorporated in Scotland. The registered office is Collins House, Rutland Square, Edinburgh, EH1 2AA.

The principal activity of the company in the year under review is that of an administration of a membership organisation and owner of 75.1% of the share capital of Heart of Midlothian PLC.

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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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 £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Turnover

Turnover represents the value of the donations received by the Foundation during the year. The donations are included in the financial statements in the period in which they are received.

1.3 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	20% Straight line
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1.4 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Computer equipment	33% Straight line
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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 profit or loss.

FOUNDATION OF HEARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies (Continued)

1.5 Fixed asset investments

Long term loans are measured at amortised cost less any accumulated impairment losses.

Investments are initially measured at cost and subsequently at cost less impairment losses.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. As the Foundation of Hearts does not have such control under its working together agreement of Heart of Midlothian plc, its investment is not treated as a subsidiary but as an other investment.

1.6 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 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 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. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors 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. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.8 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

FOUNDATION OF HEARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

2 Exceptional costs

	2023	2022
	£	£
Donations to Heart of Midlothian PLC	1,627,000	1,525,000

3 Employees

The average monthly number of employees during the year was 0 (2022 - 0),

	2023 Number	2022 Number
Total	-	-

4 Taxation

The Foundation's income from donations does not constitute profit from trade. For the year, the Foundation has no income subject to corporation tax and, consequently, no change to corporation tax is made in the financial statements.

5 Intangible fixed assets

	Intangible asset under development £
Cost	
At 1 July 2022	-
Additions	6,000
At 30 June 2023	6,000
Amortisation and impairment	
At 1 July 2022 and 30 June 2023	-
Carrying amount	
At 30 June 2023	6,000
At 30 June 2022	-

Assets under construction consist of software costs for the website upgrade.

FOUNDATION OF HEARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

6	Tangible fixed assets		Computer equipment
			£
	Cost		
	At 1 July 2022 and 30 June 2023		743
			<hr/>
	Depreciation and impairment		
	At 1 July 2022 and 30 June 2023		743
			<hr/>
	Carrying amount		
	At 30 June 2023		-
			<hr/> <hr/>
	At 30 June 2022		-
			<hr/> <hr/>
7	Fixed asset investments		
		2023	2022
		£	£
	Investments	2,500,000	2,500,000
		<hr/> <hr/>	<hr/> <hr/>

On 30 August 2021, in accordance with the Repayment and Funding Support Agreement entered into in May 2014, the Foundation of Hearts Limited paid the final equity instalment of £100k to Bidco (1874) Limited. This facilitated the transfer of 75.1% of the equity in Heart of Midlothian plc to the Foundation of Hearts Limited. At 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

The directors are of the opinion that Foundation of Hearts Limited is not the ultimate controlling party of Heart of Midlothian plc because, in substance, Foundation of Hearts Limited does not have control to govern the financial and operational policies of Heart of Midlothian plc.

FOUNDATION OF HEARTS LIMITED

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

7 Fixed asset investments (Continued)

Movements in fixed asset investments

	Other investments other than loans £
Cost or valuation	
At 1 July 2022 & 30 June 2023	2,500,000
Carrying amount	
At 30 June 2023	2,500,000
At 30 June 2022	2,500,000

The aggregate capital and reserves and the result for the year of the investment noted above was as follows:

Name of undertaking	Capital and Profit / (Loss)	
	reserves	
	£	£
Heart of Midlothian plc	24,412,000	298,000

8 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Other debtors	-	405

9 Creditors: amounts falling due within one year

	2023	2022
	£	£
Other creditors	4,572	6,336

10 Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

FOUNDATION OF HEARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

11 Related party transactions

D A R Bruce was a director of Foundation of Hearts Limited, until his resignation on the 15th of December 2022, as well as continuously being a director of Shaw Marketing and Design Limited. During the year the company paid costs totalling £7,722 (2022: £5,779) to Shaw Marketing and Design Limited for the website hosting, email management and marketing, with £252 (2022: £Nil) outstanding at year end.

Heart of Midlothian Plc is a company in which both D Cumming and G Mallon were directors during the year. The Foundation provided a total of £1,627,000 of funding directly to Heart of Midlothian in the year (2022: £1,525,000). Additionally, in the prior year, the Foundation provided a balance of £100,000 to Bidco (1874) Limited to acquire the final portion of the senior debt in exchange for the acquisition of the 75.1% shareholding in Heart of Midlothian Plc.