



**Heart of Midlothian plc**

**Minutes of the 109<sup>th</sup> Annual General Meeting**

**Gorgie Suite, Tynecastle Stadium – 11am**

**3 December 2015**

**1. Welcome & Introduction**

Chair & Chief Executive Ann Budge welcomed those present to the 109<sup>th</sup> Annual General Meeting.

**2. Chairman's Statement**

The Chairman then presented her statement covering the highlights from the 2014/15 season and key initiatives for 2015/16.

**3. The formal part of the AGM was then progressed.**

**Ordinary Resolutions**

In accordance with the Notice of the AGM the following resolutions were considered and passed:

1. The Company's annual accounts and directors' and auditors' reports for the year ended 30 June 2015 were approved.
2. Ann Cochrane Cook Wallace Budge was reappointed as a director of the Company.
3. Thomas Eric Hogg was reappointed as a director of the Company.
4. Craig William Levein was reappointed as a director of the Company.
5. Kevin Douglas Windram was reappointed as a director of the Company.
6. Brian Robert Cormack was appointed as a director of the Company.
7. Donald Ian Cumming was appointed as a director of the Company.
8. Johnston Carmichael was reappointed as auditors of the Company.
9. The directors were given the authorisation to determine the remuneration of the auditors.

This concluded the formal part of the meeting.

**Presentation by Eric Hogg – Operations Director**

Eric Hogg presented an update on the operational and financial status of the Club.

**Presentation by Craig Levein – Director of Football**

Craig Levein presented an update on the footballing side of the business.

## Q & A Session

The following questions were raised from the floor and answered accordingly:

Q1	<p><b>With regard to the proposed new stand, have the Board looked into the following:</b></p> <ul style="list-style-type: none"> <li>- <b>The cost</b></li> <li>- <b>The capacity</b></li> <li>- <b>The impact on current main stand season ticket holders</b></li> </ul>
A1	<p>Ann Budge          Yes, the Board have considered the cost of a new stand and are currently drilling down into the detail of this.          The Board have set a benchmark , whereby the new stand must increase capacity. We must be realistic when doing this as we want to continue playing in a 'full house' environment. A minimum of 20,000 capacity is the benchmark.          Whilst the impact on current main stand season ticket holders has not yet been fully considered, it is assumed that these ticket holders will be accommodated in the new stand. This level of detail has not yet been pursued but will be in due course.</p>
Q2	<p><b>The Shareholders Association would like to congratulate the Board for both the Club's on and off pitch performance. Does the Board have a policy on how to distribute income received from transfer fees (say on improving the Academy or first team), or would it be a question of what is needed at the time eg investment in infrastructure?</b></p>
A2	<p>Ann Budge          Yes there is a policy – a percentage of sale will generally go into the football business, but as suggested it is very much a question of what else is needed at the time.</p>
Q3	<p><b>The Board, quite correctly, has a policy of restricting costs (particularly employee costs) to a proportion of turnover. How easy is this to achieve given player contracts can be 2 years and more?</b></p>
A3	<p>Craig Levein          We are mindful that we cannot overspend as we do not want the Club to go back to where it was, so we must control costs. It is reasonably easy to keep a track of costs on the basis that we do know salaries for the duration of the players' contracts.          Eric Hogg          We do keep close financial control of costs and maintain detailed information regarding current and future committed salaries. This is reviewed alongside any discussions regarding new players and / or contract extensions.</p>
Q4	<p><b>The sports complex at Heriot Watt is undergoing a major expansion to become a world class complex. What effect will that have on Hearts and the Academy based there?</b></p>
A4	<p>Craig Levein          The size of the project is enormous. The SFA and Scottish Government have invested £36m into this project and we are delighted to be a part of it. The build includes a full size indoor pitch with stands.          The facility at Heriot Watt does make recruiting players much easier.</p>

<b>Q5</b>	<b>Will Jon Daly be registered as a player?</b>
A5	Craig Levein Probably yes as there is no harm in so doing. It will be unlikely that he will play.
<b>Q6</b>	<b>What are the transition arrangements for the replacement stand?</b>
A6	Ann Budge We have given this considerable thought and we believe it can be done in the close season as we have done with previous builds. We would hope to arrange the last 2-3 games of the season away and similarly the first 2-3 games of the following season away and this should provide enough time to minimise disruption. There are some innovative ideas built into the plan.
<b>Q7</b>	<b>Any plans to re-name our stands with a corporate name?</b>
A7	Ann Budge This is discussed regularly by the Board but there are no firm plans to date.
<b>Q8</b>	<b>What is the Club's view of the current structure of Scottish football – does it need restructured?</b>
A8	Ann Budge 42 Clubs is felt by many to be too many. This is one of the issues that needs to be addressed. The Club position is that we are keen to get the subject on the table and start the dialogue. The structure will hopefully be reviewed. Scot Gardiner Following the last restructure, there was a 3 year moratorium on the subject. We are currently in the last of the 3 years, so we believe changes will be proposed. Scottish football can do better and Hearts will be at the forefront of future discussions.
<b>Q9</b>	<b>Is the main stand listed or 'A' listed? If so, will this restrict what we can do?</b>
A9	Ann Budge The main stand is not listed therefore it will not be a problem.
<b>Q10</b>	<b>In the past coaches were supplied by the Club to transport supporters to away matches – would the Club consider doing this again?</b>
A10	Ann Budge There is a lot to consider here, as it is not as simple as to make a coach available. There needs to be club representation on the coach and this all has to be controlled. The Club did initiate a compromise whereby an arrangement was set up with the Supporters Federation, which allowed non Federation members to utilise spare seats on the Federation arranged buses. Fundamentally, the coach provision was loss-making and wasn't commercially viable.
<b>Q11</b>	<b>Are there any particular areas of the playing staff that need to be strengthened?</b>
A11	Craig Levein We are constantly reviewing and monitoring the squad. As you know we have just extended some players' contracts and are currently looking at others. We probably need a bit more fire power up front and are looking into this.

<b>Q12</b>	<b>Are there any plans to alter the size of the pitch? Does the size of the pitch have an influence on the playing side?</b>
A12	Ann Budge There is no need to alter the size of the pitch so there are no plans to do so. Craig Levein The size and quality of the pitch is good. It is an intimidating place to play and we like that.
<b>Q13</b>	<b>The recent Annual Remembrance Service was well attended and a credit to the Club. Sadly however, after the Service it was noted that the wreaths ended up strewn around nearby streets. Can the Club arrange to tie the wreaths after the Service?</b>
A13	Ann Budge The wreaths were tied up after the Service so unsure what happened thereafter. We will look into this and try to ensure this does not happen in future.
<b>Q14</b>	<b>Has any Club shown any interest in our young players?</b>
A14	Craig Levein Ipswich were interested in Jordan McGhee last summer, however their valuation of the player was much less than our valuation. No other direct contact has been made about any other player.
<b>Q15</b>	<b>How are the Club going to finance the new stadium? Will we reintroduce something like the 500 Club as was done before?</b>
A15	Ann Budge We want to avoid putting the Club into debt and are currently exploring options – the 500 Club idea may well be considered. Without doubt we will be heavily dependent on supporters to help us fund this initiative.
<b>Q16</b>	<b>Does the Club have any plans to increase security on match days in light of the Paris attacks? Security checks can perhaps be improved in terms of bag searches etc?</b>
A16	Ann Budge The Club has an ongoing dialogue with the Police and our security company regarding what we need to do to tighten security. Before every match there is a meeting with these bodies to discuss this issue. We have tightened up security with our own staff and they are more security aware. Scot Gardiner Our information from the Police is intelligence based and we react accordingly. As everyone is aware there is an expectation that an attack will take place at a stadium in the UK at some point, following the Paris attacks. We have specifically asked the Police if there is anything we should be doing differently and we have been informed that our procedures are sound. We will discuss the question raised with our security staff and ensure that bags are more stringently examined. We do take security very seriously and our staff have been fully briefed.
<b>Q17</b>	<b>Will the Memorial Garden be accessible on a match day?</b>
A17	Scot Gardiner The Memorial Garden opens next Friday (11 December). The first 40 plaques will be in place for this first ceremony. We are discussing opening hours and will be communicating our thoughts shortly. The expectation is that the Garden will be open on a match day at specific times as we need to control this from a security standpoint. The opening hours will also be linked in to the museum opening hours. More information to follow shortly.

	The following questions were received by email prior to the AGM and due to timings were not read out at the AGM:
<b>Q18</b>	<b>Given the size of the business and the costs involved does the Board believe that 'plc' status is the correct structure for Hearts.</b>
A18	The Board believes that 'plc' status is not the correct structure for Hearts and will be looking to return the company to 'private limited' company status within the next 18 months. Work has already started in terms of investigating what the correct process will be to progress this.
<b>Q19</b>	<b>There is a lot of talk in the press about Scottish football about summer football. Does the Board have a view on this subject. Would there be an increase in income for Scottish Clubs, say from Television, and possible increased attendance, or is it that we can all come to Tynecastle in our summer tops.</b>
A19	This is one of a number of areas requiring very careful consideration. It cannot be considered in isolation but must be looked at alongside other issues, including a winter-break, the new League Cup format, sponsorship, etc.
<b>Q20</b>	<b>The BIDCO/FOH Repayment and Funding Agreement.</b> In accordance with paragraph 5.3 of said agreement, is it intended to use any surplus of fan contributions in excess of £2.8M, received by the end of year 2 (20 April 2016), to start repaying the senior loan, or to use it as additional working capital?  <i>5.3 Without prejudice to clause 5.7, if the Foundation has advanced to the Company Fan Contributions in excess of £1,400,000 in respect of the second year of the Term or in excess of £2,800,000 in respect of the first two years of the Term, the Company shall, having due regard to the ordinary and usual course working capital requirements of the Company as at the end of the second year of the Term, determine how such surplus is to be applied. It is the Parties' intention that except to the extent that such surplus is required for working capital purposes to support the Company's business as envisaged by the Business Plan (in which case it shall form part of the Subordinated Loan, such surplus shall be applied by the Foundation in accordance with clauses 11 (Participation) and 12 (Consideration for participation) below.</i>
A20	We have a 5 year plan and are only in year 2. There is no rush to repay the loan, if monies are required within the business. Our aim is to create a robust, professional and sustainable business and this will drive the repayment schedule.
<b>Q21</b>	<b>Does it remain the Board's intention to repay the BIDCO loan as soon a possible using the 95% FOH contributions as stated in paragraph 11.2 of said agreement, or have the Board made representations to FOH to divert a proportion of the contributions for some other purpose, but still meet the £200,000 per quarter minimum repayment?</b>  <i>11.2 Subject to clause 12, beginning on 1 June 2016, the Foundation shall ensure that it utilises 95 per cent of Fan Contributions collected by it each month during each subsequent year of the Term to acquire Participations in the Senior Loan at a minimum of £200,000 per quarter until such time as the Bidco Proportion of the Senior Loan is zero.</i>  Personally I am keen to see the loan paid off asap, then a decision can be made on how future contributions are used. If contributions continue at the current level, then the loan can be paid off and the shares transferred as early as December 2017 and not May 2019, as per the initial schedule. It would also save the club over £100,000 in interest. We are only

	<b>five months away from the end of year two when such decisions will be implemented, so business forecasting should already have taken this into account.</b>
A21	As per Q20 above.

The meeting was formally closed at 12.40pm.