



## FOUNDATION OF HEARTS LIMITED

### Notice of Annual General Meeting

Dear Member,

Our seventh Annual General Meeting (the “AGM”), will be held in the Wheatfield conference room at Tynecastle Park on Thursday, 28 January 2021 at 11.00 a.m.

Unfortunately, in light of the restrictions on public gatherings to combat Covid-19, we are not able to conduct this year’s AGM in the usual way. In accordance with the provisions of the Corporate Governance and Insolvency Act 2020, the AGM will be a closed meeting, and regrettably members will be unable to attend in person. Instead of attending in person, we ask members to vote by appointing the Chair of the meeting as their proxy. Information on how to vote is set out in this letter.

The formal notice of AGM is set out on page 3 of this document. A review of our activities since the last AGM (which, under normal AGM arrangements, I would present at the meeting) can be found on page 4.

#### **Annual Accounts**

A copy of the financial accounts for the year ended 30 June 2020 accompanies this document. A commentary on the financial results (which Barry McGonagle would normally present at the meeting) is included in the review on page 4.

#### **Election and re-election of directors**

At this year’s AGM, Barry McGonagle and Donald Cumming retire by rotation from the board. In November, we invited candidates to come forward for election to fill the two places. Barry and Donald have respectively brought financial and legal expertise to the board, and to maintain these skill-sets in the boardroom, we prescribed appropriate eligibility criteria in the call for candidates.

With regard to the place which requires financial expertise, one of our members, Paul Cheshire, has been duly nominated as a candidate and meets the eligibility criteria. Barry McGonagle will stand down after six years as a director.

With regard to the place which requires legal expertise, no-one came forward on this occasion, but Donald Cumming offers himself for re-election.

This means that ordinary resolutions will be proposed at the AGM to elect Paul Cheshire and re-elect Donald Cumming. Biographical details are included in the notice of meeting.

The board supports the election/re-election of both Paul Cheshire and Donald Cumming. We are particularly delighted that Paul has come forward, as we believe his significant financial expertise will be invaluable to the Foundation.

### **Members' questions**

If you have any questions on the business of the AGM, I invite you to send it to us by e-mail at [info@foundationofhearts.com](mailto:info@foundationofhearts.com). If you can ensure that the question reaches us by close of business on 24 January, we will endeavour to reply before the cut-off date for proxy appointments on 26 January, and if the questions are of general interest, we will circulate a summary of responses to members.

### **How to vote**

Instead of attending the AGM in person, we ask you to appoint a proxy by completing and submitting a Form of Proxy, with voting instructions.

The e-mail sending you this AGM notice will allow you to access the online Form of Proxy. For security purposes, members will need to identify themselves using the unique Voter ID provided in the e-mail. Completing and submitting the form online is a straightforward process.

Alternatively, members may appoint a proxy by paper, using the Form of Proxy which is available in PDF format on our website (<https://www.foundationofhearts.org/>) under the "ADMIN" tab. The completed form should either be delivered to the Foundation by post at the address specified thereon or attached to an e-mail and sent to the Company at [info@foundationofhearts.com](mailto:info@foundationofhearts.com).

Members should appoint the Chair of the AGM as their sole proxy and provide voting instructions on the form. This will ensure that their vote can be cast at the meeting. If a member appoints someone else as their proxy, their vote will not be counted, as that person will be unable to attend the AGM and vote on their behalf.

Proxy appointments in electronic or paper form must be received by the Foundation by 11.00 a.m. on 26 January 2021.

On a vote on a resolution, each member will have one vote. The result of each vote will be declared at the meeting and notified to members as soon as practicable thereafter.

Yours sincerely

**Stuart R Wallace**

Chairman

6 January 2021

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventh Annual General Meeting (the **Meeting**) of Foundation of Hearts Limited (the **Company**) will be held as a closed meeting at the Wheatfield Conference Room, Tynecastle Park, Gorgie Road, Edinburgh EH11 2NL on Thursday, 28 January 2021 at 11.00 a.m. to transact the following business:

1. To receive the Company's financial accounts for the year ended 30 June 2020, together with the directors' report.

*The directors will present the accounts at the Meeting. Members will have received a copy with this notice of meeting. There is no requirement for a resolution on the accounts.*

2. To appoint Paul Cheshire as a director.

*[Paul (39) is a partner in PricewaterhouseCoopers LLP. Born in Dumfries, he graduated from Edinburgh University, and qualified as a CA in 2007. He has over 16 years of experience providing accounting and audit services to a wide variety of business clients in Scotland, including sports organisations. He is based in the Edinburgh office of PwC and lives in Linlithgow. The resolution to appoint Paul will be proposed as an ordinary resolution.]*

3. To re-appoint Donald Cumming, who retires by rotation, as a director.

*[Donald joined the board of the Foundation in 2014. He is a consultant and former partner in the Edinburgh office of the corporate law firm CMS Cameron McKenna Nabarro Olswang LLP. The resolution to re-appoint Donald will be proposed as an ordinary resolution.]*

By order of the Board,

**Stuart R Wallace**

Chairman

Foundation of Hearts Limited

Collins House, Rutland Square, Edinburgh, Midlothian EH1 2A

6 January 2021

### NOTES

1. In view of the current COVID-19 restrictions on physical public gatherings, the Meeting will be held as a closed meeting and members will not be able to attend in person. Members are asked not to attend the meeting and, in the interests of safety, any attempted entry to the meeting will be refused.
2. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote. You should appoint the Chair of the Meeting as your proxy, with voting instructions, to ensure your vote is counted; other named proxies will not be permitted to attend. Members may register a proxy appointment and voting instructions electronically, and full guidance is given on page 2 and on the relevant electronic facility. Alternatively members may print off and complete the Form of Proxy available in PDF format on our website and submit it by post or e-mail in accordance with the instructions printed thereon.
3. Forms of Proxy must be received by the Company by 11.00 a.m. on 26 January 2021 or 48 hours before the time appointed for holding any adjourned meeting.
4. To change the voting instructions on the Form of Proxy or revoke the proxy's appointment, please contact the Company at [info@foundationofhearts.org](mailto:info@foundationofhearts.org). The cut-off time for receipt of proxy appointments (see 3 above) also applies in relation to changing instructions or revoking appointments.

## **REVIEW OF THE FOUNDATION'S ACTIVITIES**

I would like to start by wishing everyone a Happy New Year and a healthy 2021. We are by necessity departing from tradition this year in that our AGM must be a closed meeting, hence rather than an AGM address I am providing a report.

### **Covid-19 and Club funding**

2020 will no doubt be remembered as the year of the global Covid-19 pandemic, with most countries, many households and countless individuals hit hard by its consequences. Despite that backdrop, the commitment of our members to Foundation of Hearts remains incredibly robust. The global pandemic saw the cessation of on-field matters and in turn many months of rancour and dispute. I remain as steadfast in my view today as I was then, that the treatment meted out by the Scottish Football Authorities lacked imagination, lacked a desire to find common ground and lacked any form of integrity. Much has been said on this topic, hence I will say no more for now, other than, as a fans' group, we will always feel incredibly let down.

What we did see as a result of the pandemic and the treatment of the Club was a quite unprecedented surge in membership levels, such that the number of members hit a new high. During the last year our average number of members was 7,873, although it is worth noting that our peak was just short of 8,500 members. Given that rise in membership levels and the amount of one-off donations received, we were able to pass record amounts of funding to the Club. Our highest monthly contribution to the Club is now a rather elegant £151,000, with the total amount pledged by Hearts fans to Foundation of Hearts as of today in excess of £11,000,000, a spectacular achievement.

### **Annual accounts**

Along with this document, you will find a copy of our annual accounts for the year ending 30 June 2020. You'll see from the accounts that during the financial year we achieved the significant milestone of acquiring full participation in the Bidco senior loan as well as providing a further £602,500 of working capital to the Club. Total donations for the year amounted to £1,458,263 which was broadly in line with our takings in the prior financial period. I should emphasise that the membership increase mentioned previously started in spring 2020 and is therefore not fully reflected in this result.

You'll also see from the accounts that we continue to run a lean operation from a cost perspective in line with our ethos that every pledge is precious. Our largest costs in the financial year were the direct debit charges we pay to our payment providers GoCardless and Paypal at around 1% of our total pledge value. Other than that, our cost base primarily consists of a small number of marketing fees, costs of delivering our plot ceremonies as well as bookkeeping and accountancy fees. I should mention that nobody involved in the Foundation, from the Directors to our incredible volunteers, take any form of compensation – they invest their time and energy only out of their love for this football club.

### **Member events**

Our ever-popular plot ceremonies have fallen victim to the pandemic with the stadium being closed to mass gatherings. Rest assured we aim to recommence these with a full programme of events as soon as we are able. Whilst we were able to hold a number of evening membership club events (for example the 1956 club) to award certificates in the fans bar, again this has ceased during the current lockdown. We will restart these events as soon as we are able to as we are keen to recognise the incredible achievements of our members. Once again these events would not happen were it not for the volunteers who assist us, and we are grateful to them and also to the 'legends' who help support these events.

Reward points continue to accumulate for every £ that is pledged thus taking members through the various membership levels. We will have a backlog of events, but we will get there, in time. I should note we are also working on the development of a member app which will allow members to manage their pledge, view rewards and make one off payments from their mobile phone. We anticipate delivery of the app in the first half of this calendar year.

## **Governance**

During the last year we dealt with an important matter of governance. At last year's AGM we were challenged around whether the 90% super-majority required in the event of a proposed disposal of any part of the Foundation's future shareholding was set too high..

Following an informal polling of members' views earlier in the year, we convened a general meeting in December to give members an opportunity to decide between retaining the existing 90% super-majority or changing it to 75%. Due to pandemic restrictions, it was necessary to hold the meeting as a closed meeting but members were able to cast their votes in advance. The result of the vote, which attracted a 29% turnout, was that the special resolution to change the super-majority fell marginally short of the 75% majority which it required in order to be passed. This means that any proposed disposal of our majority shareholding will in future require a super-majority of 90% voting in favour of that disposal. My thanks to all who took part in this democratic exercise, not least Eric Clelland who made the written case for 75% and Alex Mackie our founding chairman who made the case for 90%. We are grateful for their time and support.

I should mention that as things stand today, I see no immediate prospect of the question arising any time soon around the disposal of some or all our majority shareholding. Our journey to being majority shareholder has been hard won and we have no desire to relinquish that position any time soon. That said, we are aware that our governance model is built to deal with matters arising not just in the next few years but in the next 25 years and beyond. We have no way of knowing if circumstances will change or whether external investment in return for equity will ever be desirable, hence it is important we build a structure that can deal with such issues.

## **Transfer of ownership**

Our focus is now on effecting the transfer of the majority shareholding in Heart of Midlothian Football Club to Foundation of Hearts on behalf of our incredible supporters. Our journey has not been helped by the pandemic, by the treatment of the Club and having our focus turned to these matters as the pandemic unfolded. We are now clear that we would like to see the ownership transfer take place around the end of this season. We would like to share the event with our members, hence the return of fans to Tynecastle Park is important to us, and it has a nice symmetry to see the Club return to the Scottish Premiership around the same time, hopefully.

We are now engaged with the Club board and Bidco in arranging the detailed steps that are required to effect the transfer, both legally and financially. I will stay in touch as our work progresses, but I want you, our members, to know that we are working tirelessly to put the football club into your hands, as promised.

## **Thank you**

I should close by reminding everyone how positive the above update is given the global backdrop, we never cease to be amazed and humbled by you the Hearts supporters, thank you.

I would also like to express a few thanks on behalf of Foundation of Hearts to those members who assist us quietly in the background in their own time. To Brian Muir, Russell Baird, Stephen Brown and those others who have been in touch more recently to offer their support. You know who you are, thank you. To all those at the football club who support us strongly with our online content and matchday presence, specifically Gary Locke, Cat McCallum, Sven and Phil, again thank you. Also, to Iain Macleod who was of incredible assistance to us this year on technology matters. Iain has now stepped back from his duties to take a well-earned rest, we're grateful for all the support and counsel he offered.

Finally, to Barry McGonagle. Barry is one of the quiet men of the Foundation board, he is our financial guru and has at times helped us navigate our way through some incredibly complex accounting issues. Barry is stepping down by rotation having spent 6 years on our board. He was Finance Director with one of Scotland's most successful tech companies, but a career move means we must now thank Barry and wish him every good fortune with that move. We are grateful for his camaraderie, his good humour and his wise counsel, thank you

Barry. Barry's decision means that we will have a new Director on the Foundation of Hearts board, which is covered in our AGM notice.

I wish you all the very best of health and good fortune in 2021 and a return of our beloved football club to the top table of Scottish football, where we have always belonged.

**Stuart R Wallace**

Chairman, Foundation of Hearts