

# Hibs repond to statements from David Low and Mike Riley



Hibernian Football Club today responded to statements issued by David Low and by Mike Riley.

A statement on the club website reads:

In summary, Hibernian Football Club:

- believes in paying what it owes;
- had its property assets valued by international property valuers seven months ago;
- notes that Mr Low believes the Club is worthless – which confirms his position of summer 2014, when he proposed that shareholders give Hibernian to him for nothing ;
- believes Mr Low is entitled to his opinions and that Hibernian supporters who care about the Club are also entitled to theirs.

Mr Low is an experienced financier and Mr Riley is Chairman of the Supporters Association. Mr Low is not a shareholder of this club. The Information Memorandum was issued to shareholders solely for their use. The Club has answered the four questions raised by Mr Low despite the fact that he has declared that he has no further interest in Hibernian or its share issue.

Mr Low is not acting as an adviser and has given his personal views. He has stated that any supporter considering investing in shares should seek the advice of a financial advisor authorised by the FCA, and on that we agree.

Constructive analysis is always welcomed. Mr Riley has gone further and advised fans “not to put money in” clarifying that these are his “personal views as chairman” of the Supporters

Association. He has not counselled supporters to seek out any other professional advice.

Both Mr Low and Mr Riley request details of the mortgage which the Club has arranged from the holding company. The arrangement – an interest free mortgage of £5 million repayable over ten years – has been announced now that the detailed terms have been approved by the Board.

Mr Riley has questioned why the Club should pay back the cash advanced to it by the holding company. The statement by Club Chief Executive Leeann Dempster issued on the day prior to Mr Riley's statement made it plain that Hibernian is a club that meets its obligations.

Mr Low says that the Club's assets are "overvalued at pre-recession and banking crisis levels". The heritable property was valued by international property consultants Jones Lang LaSalle seven months ago on a depreciated replacement cost basis. The Club's audited net assets at 31 July 2014 were £15 million.

In Mr Low's opinion, shares in Hibernian Football Club "continue to have a negligible economic value". Last summer Mr Low offered to acquire the entire issued share capital of the Club for a nil consideration. In other words, he required all 1,700 existing shareholders, including the holding company, to give up their shares to him for nothing.

Mr Low's current valuation of the Club's shares is consistent with his approach seven months ago.

Helpfully, Mr Low has clarified that will not be making a new offer and that he will not be subscribing for new shares in the Club.

The share issue seeks to raise £2.5m from supporters. Their money will go directly into the Club. If fully subscribed, supporters will own 50% of the Club (to add to the 1% already in the hands of supporters) which in turn has the cash they

subscribe as well as owning Easter Road Stadium and the Hibernian Training Centre.

Mr Low has raised four issues, each of which is addressed in turn below

The contents of the Information Memorandum comply with the Financial Services and Markets Act 2000. It is not the practice of the Club to issue interim financial figures. In making arrangements for the share issue, the directors are confident that the Club's operations for Season 2014-15 are fully funded. New shareholders will have an opportunity to contribute to the sporting ambition of the Club, as explained by the Chief Executive in her statement. Supporters will also have a voice at the boardroom table with two fans representatives elected through a democratic process.

The Club shop was re-branded as a Nike outlet as part of the Nike kit sponsorship deal in 2013. That means the day to day operations of the shop are managed on behalf of the Club's kit supplier which has bigger buying power than the Club on its own. The advantage for the Club is that it does not have to buy and hold stock for the shop so that the working capital requirements are reduced. The arrangement provides lower operational risk to the Club, guaranteed returns with an upside possibility and is more profitable

Details of the new mortgage arrangements have been published. The £5m mortgage is interest free and repayable over ten years. Mr Low's funding proposals last summer included loans from shareholders which would have attracted interest at a rate of 5% per annum.

The arrangements for the transfer of shares in the articles have been in place for many years. However, as the share ownership in the Club widens, it is a matter which will be considered by the Board, including the new fans representatives, at an appropriate time in the coming months.

The Club reiterates that shareholders and supporters considering the share issue should take independent financial advice and only participate if they are able to and to the extent that reflects their own personal circumstances.

The Club has embraced radical change in a short space of time. The share issue gives supporters the opportunity to acquire a controlling interest in the Club. There are no barriers to that. The proposals will be discussed at the Annual General Meeting on 28 January 2015. Thereafter, it will be open to shareholders and supporters to submit applications from 2 February 2015. The take up of shares and the renewal of season tickets in March will add to the resources available to the Club to help achieve its sporting ambitions.