

## **Statement issued by the Board of Directors**

Monday 18 December 2017

The Board of Directors have set out in the attached note all the information we have at our disposal in relation to the various land transactions relating to the 15-acre football stadium site at East Longman. This is in response to questions asked by shareholders, Dougie McGilvray, Iain McGilvray and Alan Savage in their open letter entitled: "The Golden (Property) Goal". Our aim is to give shareholders a better understanding of the decisions which we believe were taken at various stages in the club's history. As new custodians of the club, we hope this will allow us to move forward to deal with the pressing task of ensuring a sustainable future for the club.

The key issues facing the new Board are to:-

- Finalise the legal documents with Tulloch Homes and The Highland Council to secure the repatriation of the lease for the stadium, stands and land as well as the continuing access rights to the existing car parks, or suitable alternatives.
- Move forward with the next stages of our Business Plan to attract new, substantial and long term investment
- Work with Tulloch Homes and the The Highland Council in relation to the potential future development of the land adjacent to the stadium and stands, including reaching agreement regarding long term alternative car and bus parking arrangements.
- Restructure the club to ensure its sustainable future as a community controlled company.

Graham Rae  
Chairman  
ICT FC

Dear Shareholders

Monday 18 December 2017

We were invited to consider a response to a number of questions posed in the Open Letter entitled "The Golden (Property) Goal" that you will have received. As relatively new Directors of the club, we are not in possession of all the information requested by the authors but below we attempt to clarify those matters we are aware of.

**Q. The lease granted to the club by the Highland Council seems to have changed hands at least three times. How has this been for the benefit of ICTFC? Why has it been done?**

**A. Lease transfer No 1 – 2001**

In January 1995, Inverness District Council (to become The Highland Council in March 1996) granted the club a 99-year lease of approximately 15 acres of land at East Longman for the football stadium and car parks. Due to the debt accumulated between 1994 – 2001, the Club was in debt to the Bank of Scotland to the extent of £2.4 million. There is no doubt that the infrastructure costs surrounding the building of the stadium, including the access road, would have contributed to this deficit. No further borrowings could be obtained from the Bank and if the company had continued to trade on that basis it would arguably have been trading while insolvent.

While a number of shareholders at the time put forward proposals for investment in the Club, the amount of investment proposed would not have enabled the company to continue trading solvently. Therefore, the only viable solution on the table and available to the Board was to transfer the stadium site to Tullochs in exchange for Tullochs acquiring the debt then secured on it.

Had the deal offered by Tullochs not been accepted, then the Board had considered that the only alternative open would be to have put the company into administration. In such an event the Club could have been penalised by the Scottish Football League with a deduction of points and the Administrator would have required to dispose of the Lease had this become necessary during the course of the administration proceedings.

It was also possible that having regard to the Company's financial position it might even have gone into liquidation in which case the Landlords would have been entitled to irritate the Lease and repossess the Stadium site and the football club would also have ceased to exist.

Inverness Caledonian Thistle Properties Ltd (Propco) was formed and the Club's interest, as tenant under the lease for the 15 acres, was transferred to Propco.

Inverness Caledonian Thistle Trust Ltd, a company, but with charitable status, was created to promote sport in the Highlands. ICT Trust Ltd was allocated 75% of the shares in Propco and the remaining 25% were held by Tulloch and their associates.

Propco then granted a sub-lease to the Club, but only of the footprint of the Stadium itself. Access rights and car parking rights on the adjacent land ("the peripheral land") were granted to the club as Propco would determine from time to time.

As a result of the rescue, the club began to pay rent to Propco for use of the stadium. The sum was £50,000. There was no charge for the car parks.

To summarise, the lease for the 15-acre football site left the control of the Club at the time of the 2001 crisis to ensure survival.

### **Lease transfer 2 - 2004**

When the club was promoted to the Premier League in May 2004, home matches were played at Aberdeen FC's ground. That was until Tulloch built a North and South Stand in 47 days at an estimated cost of £1.2 million to ensure the ground capacity met the SPFL requirement of 6,000 seats. The first Premier League game was played at the upgraded stadium on 29 January 2005.

Without the investment, the club would not have been able to take its place in the Premier League.

In return for providing the 2 stands, Tulloch restructured the leases, once again. Inverness Caledonian Thistle Properties (2004) Ltd ("Propco 2004") was formed. It is understood that the shares in this company are 100% held by Tulloch and their associates. Propco sub-let the 2 stands to Propco 2004 and, in turn, Propco 2004, sub-sub-let them to the Club.

As a result of this investment by Tulloch, the club was required to pay an increased rental, rising to £205,000 per year, which was the last current rent payable. (Rent levels are reviewed regularly until the lease expiry in 2094).

### **Share transfer (Tulloch and ICT Trust) - 2011**

By 2011, the club's debt had built up again. Tulloch and the ICT Trust agreed to a 'share swap' whereby Tulloch's shareholding in the Club (729,000 shares) was transferred to the ICT Trust, in return for the ICT Trust transferring its 75% controlling interest in Propco (which holds the controlling Lease of all 15 acres, including the Stadium and Stands) to Tulloch.

The Club, had no ability to influence (agree or veto) this transaction as the shares were held by third parties, namely Tulloch and the ICT Trust. This left the Trust with no continuing interest over the stadium, stands, access rights or the car parks.

The rental of £205,000 ceased to be paid by the club as sub tenant in December 2016 when Tulloch agreed to gift Propco's lease-hold interest in the stadium and North and South stands back to the club and to write off arrears of rent, totalling around £300,000. The car parks, being part of the peripheral land, are not part of the gift and the lease for these remain with Tulloch.

However, it is proposed that the club will be given a sub-lease from Propco of the existing car parks (and relative access rights to them and to the stadium) until such time as planning consent is obtained for redevelopment of the peripheral land (but with a minimum period of 3 years).

It is anticipated that as part of the planning application process, the operational integrity of the stadium (in respect of access rights, safety compliance, disability access etc.) will be addressed satisfactorily for the Club and to the satisfaction of the Highland Council as Planning Authority.

**Q. Has the basis of the lease for the land from the Highland Council to the Club changed to allow for property development purposes?**

**A.** The Head Lease of the 15 acre stadium site granted by the Highland Council imposed restrictions on the use of the site to that for football related purposes with these conditions incapable of being changed without the approval of the Highland Council as landlord. Any redevelopment of the stadium site would require the consent of all interested parties including the Highland Council and would be subject to the needs of the Club being properly catered for.

**Q. What was the purpose of setting up Inverness Caledonian Properties Ltd (Propco) and are they still in operation?**

**A.** The purpose is as stated above and Propco currently hold the lease of all 15 acres. However, the gift of the Stadium and Stands back to the Club will return these assets to ICTFC, with Propco retaining the peripheral land surrounding the Stadium, as set out above.

**Q. How did the Directors of Inverness Caledonian Property Company (Propco) allow the lease to get into the hands of the Tulloch Group?**

**A.** Control of the lease left the club to the Tulloch-controlled Propco at the time of the 2001 rescue. It was the price paid to keep the club alive. At that time (2001), Tulloch Group had a 25% stake in the shareholding of Propco, acquiring the remaining 75% from the Trust, as a result of the 2011 share swap.

**Q. Was the lease worth £30 million?**

**A.** The current Directors are not aware – and cannot find any evidence - of this valuation being made. Tulloch has estimated the debt written off on the stadium and North and South Stands at £6 million.

**Q Did the club's auditors and directors properly scrutinise these transactions and value the lease?**

**A.** We are not able to answer this question but it appears clear that the Club was faced with extinction unless a deal was brokered with Tulloch.

**Q. What are the Club's current assets?**

**A.** £380,000 including the floodlights, biomass generating plant and undersoil heating.

**Q What is the current position?**

**A.** The Club is currently in negotiations with Tulloch and the Highland Council to re-assign the lease of the stadium and stands to the Club – to give effect to the December 2016 gift from Tulloch. As part of that negotiation, the Club also needs to get secure long term certainty regarding 24/7 access rights and safety/disability assurances in respect of the stadium itself to protect the maintenance of the stadium safety certificate. This return of ownership is essential to give the club long term security over the stadium and attract new investment critically and urgently required to keep the Club afloat.

The Club is also in discussions with Tulloch to ensure continued access to all the existing car parks. As mentioned above, the new deal would allow the Club to continue to use the car parks until a Planning Consent is granted for development (but guaranteed for not less than 3 years) and we have been advised that in any planning discussions, future car parking, access and safety considerations for the Club will require to be addressed satisfactorily.

If the current negotiations are successful, the club would be paying £15K per year in rent for the stadium and stands to the Highland Council. This is currently being paid by Tulloch. For the existing car parks, the Club would pay £15K per year in rent to Propco.

Ends

Background notes:

The club has had 10 chairmen during its history.

- |                     |                              |
|---------------------|------------------------------|
| 1. Jock MacDonald   | February 1994 to May 1995    |
| 2. Dougie McGilvray | May 1995 to January 2000     |
| 3. David Sutherland | January 2000 to May 2002     |
| 4. Ken Mackie       | May 2002 to November 2005    |
| 5. David Sutherland | November 2005 to August 2006 |
| 6. Alan Savage      | August 2006 to April 2008    |
| 7. George Fraser    | April 2008 to September 2011 |
| 8. Kenny Cameron    | September 2011 to May 2017   |
| 9. Willie Finlayson | May 2017 – August 2017       |
| 10. Graham Rae      | August 2017 to present       |

The chairman of the Inverness Caledonian Thistle Trust at the time of formation in 2001 was Provost Allan Sellar. In 2011, the chairman was David Sutherland. The current chairman is David Stewart, MSP.

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