

Celtic plc

3487

ANNUAL REPORT

YEAR ENDED 30 JUNE 1999

DIRECTORS, OFFICERS AND ADVISERS

Directors

Frank O'Callaghan (Chairman)*
Allan MacDonald OBE (Chief Executive)
Brian Quinn CBE (Vice-Chairman & Senior
Independent Director) *
Eric J Riley (Financial Director)
Fergus J McCann
Dermot F Desmond*
Sir Patrick Sheehy*
Kevin Sweeney*

* Independent Non-Executive Director

Company Secretary

Heather A Barton

Registered Office

Celtic Park
Glasgow
G40 3RE

Directors of The Celtic Football and Athletic Company Limited and Celtic Football Club

Allan MacDonald OBE (Chairman)
Eric J Riley
David W Kells
Kenneth M Dalglish MBE
Fergus J McCann
John S Keane *
Michael A McDonald *
Kevin Sweeney *

* Independent Non-Executive Director

Head Coach

John Barnes

Auditors

Pannell Kerr Forster

Solicitors

McGrigor Donald

Bankers

The Co-operative Bank plc

Stockbrokers and Advisers

Greig Middleton & Co Limited
155 St Vincent Street
Glasgow
G2 5NN

Registrars

Exchange Registrars Limited
78 Carlton Place
Glasgow
G5 9TH

Remuneration Committee

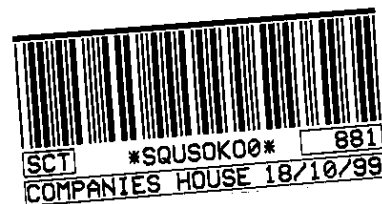
Brian Quinn CBE (Chairman)
Frank O'Callaghan
Dermot F Desmond
Sir Patrick Sheehy

Audit Committee

Brian Quinn CBE (Chairman)
Dermot F Desmond
Sir Patrick Sheehy
Kevin Sweeney

Nomination Committee

Sir Patrick Sheehy (Chairman)
Brian Quinn CBE
Frank O'Callaghan



Nomura International PLC
Nomura House
1 St Martin's-le-Grand
London
EC1A 4NP

Web Site

www.celticfc.co.uk

Celtic plc

CHAIRMAN'S STATEMENT

I am pleased to report that Celtic's pattern of growth, established over the last five years under the direction of Fergus McCann, continued in 1998/99.

FINANCIAL RESULTS

Turnover increased by 21.6% to £33.84m, with income levels improving in all areas of operation. Operating expenses rose by 19.2% to £27.09m so that profit from operations increased significantly by 32.6% to £6.75m.

The ongoing strengthening of the first team squad reflected by a net investment of £4.2m in the year, has resulted in an increase in the amortisation of player registrations of 13.8% to £6.09m, while the net gain on sale of player registrations has reduced by over £7m to £0.35m. It is believed that the market value of the intangible assets representing player registrations is well in excess of the net book value.

Profit before and after tax was £550,000 from which a preference dividend of £533,000 falls to be paid. Your Board does not recommend the payment of an ordinary dividend.

In his Chief Executive's Review, Allan MacDonald reports on the detailed trading performance for the year.

LABOUR COSTS

In the year under review, wage costs increased by 16.6% to £14.50m reflecting the increased costs involved in the strengthening of the first team squad and additional labour in respect of the incremental turnover generated. Our desire to strengthen the entire football operation, particularly the first team, together with the wage inflation currently being experienced in the football sector will substantially increase wage costs next year. Your Board will, however, continue to closely monitor this area.

CAPITAL PROJECTS REVIEW

The substantial investment in Britain's largest all seated club stadium is proving to be a success with Celtic having the UK's largest number of season ticket holders, 53,388. Over the course of last season some 1.46 million people (1998 - 1.16million) attended the home matches played at Celtic Park. In addition, three neutral Cup matches and a Scotland international match were hosted during the final year of Hampden's reconstruction.

The Kerrydale Suite, an impressive banqueting facility situated in the West Stand, was completed during the year at a cost of £1.5m. This is proving to be a popular facility and is generating additional income for our catering division and additional matchday corporate hospitality income.

Our retail operation also expanded during the year with the opening of a new store in Dublin.

PERSONNEL

The man who must be given most credit for Celtic's considerable development over the last five years is Fergus McCann. He stepped down as Chairman and Managing Director of Celtic plc in April 1999. It is appropriate at this time to recognise the role Fergus played in rejuvenating Celtic and creating a firm foundation for the Club's future. The name of Fergus McCann and his contribution to the rebirth of our Club will rightly remain a key part in Celtic's history. On behalf of my fellow Directors, shareholders and supporters I would like to officially record our thanks for his considerable efforts.

It is my further pleasure to welcome Allan MacDonald, former Managing Director of British Aerospace in Asia and Africa, as our new Chief Executive. Although his official date of appointment as Chief Executive was 1 July 1999, he has been working behind the scenes since April to ensure a smooth transition and has already made a considerable positive impact.

Allan MacDonald, within his Chief Executive's Review, will refer specifically to the recent football management changes at Celtic Park, however, I would like to thank all the staff at Celtic Park for their efforts over the last year and for their contribution to continuing Celtic's growth.

CELTIC IN THE COMMUNITY

It is also pleasing to see Celtic's activity within the community via Celtic Charity Fund continuing the tradition and history of the Club's founder, Brother Walfrid. As Celtic develops as a football club and a business, it is important to remember its impact as a social institution and the responsibilities that carries.

I would also like to assure you that it is my intention to continue with Celtic's campaign against bigotry in all forms.

Celtic plc

CHAIRMAN'S STATEMENT

PROSPECTS

I look to the future with real optimism. We have the largest club stadium in the UK, with the largest number of season ticket holders. Your Board is committed to achieving success on the football field, using that success to generate significant revenue from other activities. I believe we have the management in place to achieve both and I am confident that, with your support, we can achieve our goals.

F O'Callaghan
Chairman

8 September 1999

Celtic plc

CHIEF EXECUTIVE'S REVIEW

The Company's trading performance during the financial year ended 30 June 1999 reflected a further year of steady progress for Celtic in the context of a continually developing football business environment.

STADIUM CAPACITY AND TICKET PRICES

Completion of the new 'Jock Stein Stand' at Celtic Park in July 1998 successfully concluded the Company's four-year programme to develop and expand the stadium to its current spectator capacity of 60,506.

The additional seating available in the new stand created the opportunity to increase the number of season ticket holders from 42,322 to 53,388.

High demand for tickets reserved for match day sales resulted in 'near full capacity' attendance at almost all of Celtic's home matches. This demand was achieved despite match day ticket prices being increased by 12.5% on average. No corresponding increase was applied to season ticket prices.

Income from season ticket and match day ticket sales rose by 28.4% to £15.4 million, primarily as a consequence of the growth in stadium capacity but also (albeit to a much lesser extent) as a result of match day ticket price increases.

BROADCASTING & PUBLISHING REVENUE

Income from broadcasting and publishing increased by 28.6% to £4.38 million during the course of the financial year. This growth largely derived from Celtic's share of additional revenue generated by the new TV broadcasting contract between the Scottish Premier League and broadcasters for the coverage of domestic league matches. This new contract was effective from the start of the 1998/1999 football league season.

Celtic's progress to the Final of the Scottish Cup competition in May 1999 also contributed significantly to income growth from broadcasting and publishing.

Early elimination from European competition resulted in disappointing income from the sale of television broadcast rights.

Whilst there was no growth in either the circulation level or income from sales of the Club's weekly magazine, The Celtic View, revenue generated from sales of match day programmes grew by more than 36% to £411,000.

MERCHANDISING

Against a background of declining sales within the general retail sector in the UK, and particularly within the sports goods sector, steady growth of 6.9% in the Company's revenue from retail merchandising (£5.1 million) in the course of the financial year was a commendable achievement. Such performance in a very challenging retail market environment is indicative of the underlying strength of the Celtic brand.

A new retail outlet was opened in Dublin on 30 November 1998.

CATERING

Income from catering rose by 21.8% to £2.65 million, largely as a result of additional match day food outlets being opened in the new Jock Stein Stand and the opening at the end of September 1998 of the Kerrydale Suite which provides conference facilities for up to 800 and banqueting for up to 500.

OTHER COMMERCIAL REVENUES

Sponsorship

Umbro, Phoenix Honda and other corporate sponsors maintained their active support of the Club and its activities during the 1998/1999 football season.

Advertising

There was minimal growth in advertising sales revenue (£196,000, excluding income from shirt sponsorship) during the course of the financial year.

Celtic plc

CHIEF EXECUTIVE'S REVIEW

Corporate Hospitality

Income from corporate hospitality (£3.21 million) was 39% higher than in the previous financial year primarily as a result of the creation of the '67 Club, a new match day hospitality facility located in the Jock Stein Stand. This growth was above expectations and it is encouraging to note that high levels of 'repeat business' are the norm in the corporate hospitality market as a whole.

FOOTBALL OPERATIONS

The 1998/1999 season was disappointing by comparison with the previous season in which Celtic won the Scottish League Cup and, more importantly, the Scottish Premier League, which enabled the Club to enter the qualifying stages of the 1998/1999 European Champions Cup.

Disappointingly, the Club was knocked out of the League Cup on 19 August 1998 and eliminated from the European Champions Cup the following week.

In the case of the European Champions Cup, Celtic lost 3-0 to Croatia Zagreb, in Zagreb, on 26 August 1998, having failed to hold on to a one-goal advantage secured in the home match against the Croatian club two weeks earlier. This denied the Club the opportunity to benefit financially from participation in the league stages of the European Champions Cup.

The 'consolation prize' was admission to the first round of the UEFA Cup. Celtic eliminated Vitoria Guimáraes of Portugal in this round but were knocked out in the second round by FC Zürich.

Celtic's performance in the Scottish Premier League was also faltering at this time. Only 17 points were taken from a potential total of 36.

During the early course of the 1998/1999 season, team selection was severely restricted as a result of the large number of international players who returned from the World Cup in France suffering from injury and fatigue.

Eleven players from Celtic's first team pool participated in the competition in June and July, ordinarily 'close season' months. Few clubs throughout the world, and no other in Scotland, had such a large number of players participating in this prestigious competition.

'Call-up' to national squads for World Cup Finals duties is a great credit to players as individuals and complimentary to the clubs from which they are drawn. However, the phenomenally high level of participation by Celtic players hampered the Club's performance. Many of Celtic's internationalists returned from the World Cup carrying serious injuries. The consequential absences and loss of form undoubtedly contributed to poor results during the first half of the 1998/1999 season. New Head Coach, Dr Jozef Venglos, took several months to restore the team's performance to an acceptable level.

The first team pool was strengthened during the season by the addition of four new, high quality international players: Norwegian, Vidar Riseth, Slovakian, Lubomir Moravcik, Johan Mjällby of Sweden and Australian, Mark Viduka. As a result of these signings, and following the Club's disappointing exit from the UEFA Cup on 3 November, the team's form in domestic competitions improved dramatically. During the period commencing 7 November 1998 through to 17 April 1999, 45 league points were taken from a maximum available total of 57 and the team achieved an unbeaten run of 18 consecutive league and cup games. Injuries again took their toll towards the end of a very hard season. Celtic failed to retain the League Championship and finished second after faltering in two key matches, at the end of April and in early May, against St Johnstone and Rangers. The team also lost out in the Scottish Cup Final on 29 May 1999.

DIRECTORS AND STAFF

I extend my thanks to my fellow Directors, management colleagues, footballers and operations and business support staff who made important contributions during our 1998/1999 trading year. I also thank the passionate and loyal supporters of Celtic who continue to turn out in vast numbers to encourage everyone at the Club to work for ever increasing levels of success.

Celtic plc

CHIEF EXECUTIVE'S REVIEW

OUTLOOK

FOOTBALL OPERATIONS

Football Management

Success on the field of play is of critical importance to Celtic's business operations and corporate strategy. The Club has a stadium and playing environment to match the best in Europe. It has also invested in the development of a competitive first team squad, which succeeded in winning the Scottish Premier League in 1998.

Celtic's aim is to achieve and sustain success in all domestic competitions and to restore the Club as a force in European football. A new management team has been established to achieve these objectives.

Kenny Dalglish, as our Director of Football Operations, is now in charge of all aspects of Celtic's footballing activities, John Barnes has been engaged as Head Coach, supported by Eric Black as Assistant Head Coach. Terry McDermott has been employed as Head Scout and Coaching Assistant. The Company has appointed its first ever full-time Doctor, Roddy MacDonald, who specialises in sports medicine.

Player acquisition and personal remuneration costs in the professional football world have soared to new levels in recent years, following the Bosman ruling.

In order to achieve a viable football business, within which the cost of successful football operations is affordable relative to the income of the business as a whole, it is essential for Celtic to develop its own young players of a quality consistent with the Club's footballing aspirations. It is therefore intended to establish a national and international youth development programme and facilities capable of delivering highly talented young players able to compete for and win places in Celtic's first team. Kenny Dalglish will play the lead role in this critical aspect of Celtic's future.

First Team Pool

In order to become the footballing force which the Club aspires to be, it is recognised that further selective investments in new players able to perform successfully at the highest levels in Europe will be necessary.

Last May, Celtic took decisive action to secure the services of Scotland's Player of the Year and Top Goal Scorer, Henrik Larsson, for a further 4 years. More recently, the Club again raised the quality of its first team squad by recruiting on long-term contracts a number of high quality and high potential international players: Israeli Internationalist, Eyal Berkovic, France under 21 Internationalist Olivier Tebily, Russian International goal-keeper Dimitre Kharine, Bobby Petta who played for the Dutch Under-21 team and young Bulgarian Internationalist, Stilian Petrov.

These new signings, coupled with the intention to retain as many of our talented and committed internationalists as it is feasible to retain within the current squad, are a clear example of our intent to succeed at the highest levels of European and Scottish football.

REVENUE & COSTS

The success of Celtic plc as a business is inextricably linked to the success of Celtic as a football team and vice versa. The planning and development of a successful footballing operation needs to be concurrent and consistent with the planning and development of successful business operations. Growing revenue streams and effective cost control are of vital importance.

STADIUM CAPACITY AND TICKET PRICES

The supporters of Celtic Football Club pay in advance for their season tickets and have high expectations for the success of the team on the field of play. This up-front commitment is acknowledged and it is also acknowledged that football success was not delivered in the season 1998/1999. Accordingly, irrespective of the investment steps being taken to increase the likelihood of success in coming seasons, and despite the fact that season ticket prices were not increased in the 1998/1999 season, season ticket price increases for the 1999/2000 season have been contained to around 6% on average. Celtic's pricing therefore remains at a level well below the average charged by the major clubs competing in the English Premiership, clubs that Celtic requires to compete against for European success.

Celtic plc

CHIEF EXECUTIVE'S REVIEW

Whilst accepting that there is a time lag between investment for success and success being achieved, Celtic's five-year stadium pricing strategy is based on the objective of income from football operations funding the cost of football operations. Accordingly, footballing success in the 1999/2000 season and beyond will lead to increased funding being sought from football income in the 2000/2001 and subsequent seasons. By adopting this approach, Celtic intends to be in a position to continue attracting, developing and retaining high quality players capable of competing successfully in Europe.

It is intended to sustain the currently high demand for season tickets by introducing a new product to be known as "The Millennium Club". Millennium Club members will enjoy a range of benefits including priority wait listing for season tickets and match day tickets.

BROADCASTING FEES & PUBLISHING

The first year of the contract between the new Scottish Premier League and Sky TV and terrestrial broadcasters in Scotland for coverage of domestic league matches has been a success. This contract has 3 more years to run and Celtic is committed to working with all parties, and particularly with the television companies, to ensure continuing success.

The Company is also committed to working with the management of the Scottish Premier League to create further value from the sale of Scottish Premier League matches to overseas markets.

MERCHANDISING

While activity in this business sector remains strong, the impetus provided by the very successful initial launch of the team's new 'home kit' for the 1999/2000 season, forecast to be the most successful Celtic kit launch, was diluted following a manufacturing fault in the garment. The kit will be re-launched later this year.

The Club is continuing to pursue its already well established plans to expand merchandising revenues. By the end of the current financial year, the new Dublin store will have been operating for a whole trading year, and it is also intended to open two additional outlets. There are also plans to generate additional sales via the Internet.

These planned retail and on-line marketing and selling developments, together with the ongoing development of existing merchandising outlets, expansion of the product range and improvements in the quality of merchandise on offer, can be expected to deliver further growth in merchandising revenue.

RETAIL CATERING

The Company will continue to expand and strengthen the appeal of its retail catering business. The new Kerrydale Suite will continue to be heavily promoted during its initial year of operation and additional fast-food outlets are being opened within the stadium in the early course of the new football season in order to cater for the near full capacity attendances anticipated for most home matches.

OTHER COMMERCIAL REVENUES

Sponsorship

A major new four-year sponsorship deal has been concluded with the international media company, ntl. The contract became effective from the commencement of the current season.

Corporate Hospitality

Plans are in place to maintain the growth trend in this important business sector. The renewed level of interest in Celtic amongst supporters, the general public and the business community has resulted in a number of the Company's corporate hospitality facilities being taken up by corporate customers early in the season and, in many cases, for the complete season.

COST ITEMS

COST OF SALES

An increase in cost of sales is anticipated in consequence of the planned escalation of the Company's merchandising, catering and corporate hospitality activities. However, in view of the planned increase in sales revenues it is anticipated that the unit cost of sales will decline.

Celtic plc

CHIEF EXECUTIVE'S REVIEW

OPERATING EXPENSES

Operating expenses are budgeted to increase to a level that will enable Celtic to compete pro-actively in offering player and football management remuneration consistent with the Club's aspiration to develop and maintain a football operation capable of competing at the highest levels in Europe. Such expenses will be pitched at a competitive, as distinct from generous, level and will be funded by means of increased revenues in order to maintain appropriate proportionality between wage costs and turnover.

CAPITAL EXPENDITURE

In the course of the past four years, the Company has developed a football stadium that matches the best in Europe. Further developments in and around the stadium are planned to take place during the course of the next five years. The objective is to improve both the environment of the footballing operations and the facilities on offer to spectators in order to develop and maintain the appeal of the Club.

SUMMARY

The backing of Celtic supporters is unique. It is the aim of the Board and Management of the Club to continue to develop the many opportunities that such passionate backing brings, and to deliver success both on the field of play, in all of the competitions in which Celtic competes, and in the business arena in which Celtic must also compete effectively.

A MacDonald
Chief Executive

8 September 1999

Celtic plc

DIRECTORS' REPORT

The directors are pleased to present their report together with the accounts for the year ended 30 June 1999.

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the operation of a professional football club together with related and ancillary activities.

RESULTS AND DIVIDENDS

Turnover has increased by 21.6% from £27.82 million in 1998 to £33.84 million in 1999. Operating costs have risen by 19.2% resulting in profit from operations increasing by 32.6% to £6.75 million (1998 - £5.09 million). Net profit for the year after amortisation of intangible fixed assets and interest but before tax amounted to £550,000 (1998 - £7.13 million). The preference dividend of 6% (inclusive of tax credit) will be paid on 31 August to the preference shareholders on the register at 20 August 1999. The directors do not recommend the payment of an ordinary dividend. The retained profit for the year of £17,000 has been added to the reserves.

BUSINESS REVIEW

A review of the Company's business and operational activities is contained within the Chairman's Statement and Chief Executive's Review.

EVENTS SINCE THE YEAR END

Eyal Berkovic, the Israeli international midfielder, registered with Celtic on 9 July and Olivier Tebily, a French under 21 international registered on 8 July 1999 while Bulgarian international Stilian Petrov registered on 6 August 1999. Also registered with Celtic since the end of the year, under the Bosman ruling, were Dimitre Kharine, Bobby Petta and Stephane Bonnes.

DIRECTORS AND THEIR INTERESTS IN THE COMPANY'S SHARE CAPITAL

The directors serving throughout the year and at 30 June 1999 (unless otherwise indicated) and their interests in the ordinary shares and preference shares of the Company were as follows:

Name	30 June 1999		1 July 1998 (or at date of appointment)	
	No. of Ordinary Shares of 1p each	No. of Preference Shares of 60p each	No. of Ordinary Shares of £1 each	No. of Preference Shares of £60 each
F O'Callaghan - appointed 4 February 1999	-	80,000	-	-
A MacDonald OBE - appointed 15 March 1999	12,500	12,500	125	125
B Quinn CBE	5,000	7,775	50	25
E J Riley	5,000	5,000	50	50
F J McCann	14,600,000	-	146,000	-
D F Desmond	1,439,300	5,131,300	14,393	51,313
Sir Patrick Sheehy	10,000	-	100	-
K Sweeney	-	5,500	-	-

Mr O'Callaghan has a non-beneficial interest in 60,000 of the preference shares noted above.

The Company is controlled by F J McCann.

There were no changes in the holdings of the directors notified to the Company between 30 June and 8 September 1999.

Celtic plc

DIRECTORS' REPORT

Brief biographical details of the directors are as follows:

Frank O'Callaghan was appointed a director of the Company on 4 February 1999 and took up the role of non-executive Chairman in April 1999. Mr O'Callaghan, who is a qualified chartered accountant, is also non-executive chairman of MacDonald Hotels plc, Deep Sea Leisure plc and Outreach plc. He is a director of Scottish Legal Life Assurance Company Ltd and Rehab Scotland Ltd.

Allan MacDonald OBE was appointed a director of the Company on 15 March 1999 and took up his position of Chief Executive on 1 July 1999. Mr MacDonald is a graduate of Paisley University, he also holds Honorary Doctorates from Glasgow University and Glasgow Caledonian University. He was awarded the OBE in 1996 for services to aviation. Prior to joining the Company Mr MacDonald worked with British Aerospace for 28 years, joining the Board of British Aerospace Commercial Aircraft Company in 1991. In 1995 Mr MacDonald was appointed Managing Director of Asia and Africa and became a member of the Operations Executive Committee of British Aerospace.

Brian Quinn CBE has been a director of the Company since March 1996 and is Vice-Chairman. Formerly Senior Executive Director at the Bank of England, Mr Quinn has extensive experience in international finance and economics. He is non-executive Chairman of Nomura Bank International plc and a non-executive director of Bankgesellschaft Berlin (UK) plc and Britannia Asset Management Limited. Mr Quinn is also a fellow of the Institute of Bankers in Scotland and prior to joining the Bank of England held positions with the International Monetary Fund. Mr Quinn is Chairman of the Remuneration and Audit Committees.

Eric J Riley has been a director of the Company since August 1994. Mr Riley is a graduate of Glasgow University, a qualified chartered accountant and is the Company's Financial Director. His overall day to day responsibility includes the operational areas of corporate strategy and finance. Mr Riley has been a director of the Scottish Premier League Limited since April 1998 and a director of the Scottish Football Association Limited from June 1996 until May 1999.

Fergus J McCann has been a director of the Company since March 1994 and was the Chairman and Managing Director of the Company from March 1994 to April 1999. Since April 1999 Mr McCann has been acting in a non-executive capacity. Mr McCann is a qualified chartered accountant and obtained an MBA from Strathclyde Business School in 1968. Mr McCann has an active interest in his venture capital and investment holding company, Firstgreen Ltd.

Dermot F Desmond has been a director of the Company since May 1995. He is Chairman of International Investment & Underwriting Limited. Mr Desmond has a wide range of investments in both public and private companies. These include Baltimore Technologies PLC, London City Airport Limited which he acquired in October 1995 and the Sandy Lane Hotel in Barbados which he acquired in December 1996. He has a 30% stake in Pembroke Capital, specialists in tax efficient trading of aircraft, aircraft leasing and aircraft management. Mr Desmond was previously Chairman and founder of the NCB Group Limited and of Quay Financial Software Limited.

Sir Patrick Sheehy has been a director of the Company since March 1996. Formerly Chairman of BAT Industries and a non-executive director of British Petroleum Co. plc from 1984 to 1998. In 1985 he was appointed to the Council of International Advisers for the Swiss Bank Corporation. In July 1992, he was appointed Chairman of the Home Office Inquiries into Police Responsibilities and Rewards, which submitted its report, the Sheehy Report, to the Home Secretary in July 1993. In 1995 Sir Patrick Sheehy was appointed Chevalier of the Legion d'Honneur by the French Government. He is a director of a number of other companies in the UK and North America. Sir Patrick Sheehy is Chairman of the Nomination Committee.

Kevin Sweeney has been a director of the Company since July 1998. Mr Sweeney is the senior partner in the corporate unit of solicitors, McGrigor Donald, and is also a qualified chartered accountant. He is the former legal adviser to the Scottish Football Association and is currently the solicitor to the Accounting Standards Board.

It is the intention of the Board that non-executive appointments will be constantly reviewed within the formalised process of the Nomination Committee and re-appointments will not be automatic.

In accordance with the Articles of Association of the Company, Mr McCann, Mr Riley, Mr Desmond and Mr Quinn retire by rotation and, Mr Riley, Mr Desmond and Mr Quinn being eligible, offer themselves for re-appointment. Mr McCann, being eligible for re-appointment, has intimated that he does not wish to offer himself for re-appointment. Mr O'Callaghan and Mr MacDonald, having been appointed by the directors since the last Annual General Meeting, retire and, being eligible, offer themselves for re-appointment. The directors, in accordance with the Articles of Association, recommend that Mr O'Callaghan and Mr MacDonald be re-appointed.

During the year the Company maintained liability insurance for its directors and officers.

Celtic plc

DIRECTORS' REPORT

SUBSTANTIAL INTERESTS

In addition to the directors' interests set out above, the Company has been notified of the following interest in over 3% of its issued share capital as at 8 September 1999:

	Ordinary Shares of 1p each
John S Keane	1,068,900

DONATIONS

The total amount of charitable donations made by the Company during the year was £287,511 (1998 - £10,000). Details of the charitable activities of Celtic and the charitable donations made by Celtic Charity Fund during the year are narrated on page 32.

CREDITORS PAYMENT POLICY

It is the Company's policy to pay creditors within the terms agreed when the contract of supply is made, to the extent that the creditors have fulfilled and performed their contractual obligations. Where no terms are agreed, creditors are paid within thirty days of the month end in which the invoice is received. The ratio expressed in days between amounts invoiced to the Company by its suppliers in the year and the amounts owed to its trade creditors at the end of the year was 33 days.

GENERAL COMPANY POLICY

Within the limits of confidentiality, staff at all levels are kept informed of matters which affect the progress of the Company and are of interest to them as employees. The Heads of the Company's various departments meet monthly to discuss operational and other issues of the Company. Senior Managers meet with the Chief Executive and the Financial Director on a regular basis to discuss and consult on operational matters. The objective is to achieve a common awareness of the operational, financial and economic factors affecting the Company's performance. To encourage the involvement of employees in the Company's performance, the Company operates an executive share option scheme in terms of which certain full time employees may be granted options to subscribe for shares in the Company.

YEAR 2000 COMPLIANCE

In recognition of the serious implications of the millennium date change the Company established a Year 2000 Committee in 1997 to manage the effects this date change may have on Company operations. The Committee established a programme which concentrates on three main areas, as follows:

- Working on and testing internal systems through inventory gathering, assessing criticality, prioritisation and planning, testing and remediation.
- Understanding the Year 2000 readiness of its suppliers and major customers.
- Modifying and developing contingency processes to reduce residual risk.

During the year the main focus has been on remediation and testing of the Company's systems with the focus on those systems most critical to the Company's continued operation. All critical systems have been tested and to date, 92% are considered compliant. It is intended that the remaining non-compliant critical systems will be tested by the end of September and further full retests of all control systems will take place in October and December 1999.

The Company's Year 2000 compliance is also dependent on products and services provided by suppliers and to this end all orders and contracts placed by the Company have been subject to a Year 2000 clause since early 1999. A detailed review of all key suppliers has been conducted and these suppliers have been approached to ascertain their state of Year 2000 readiness. The Company has made an initial assessment of these key suppliers and will continue to monitor their efforts to achieve compliance throughout the remainder of 1999. All suppliers are being treated in accordance with the Company's reliance on them and where appropriate alternative suppliers may be appointed.

Where possible the Year 2000 programme has been conducted using internal resources. The costs of progressing this project have not been material to date and, in the opinion of the directors, are not anticipated to become so to completion. Given the complexity of the Year 2000 issue there can be no assurances that no Year 2000 problems will occur. However, the Board believes that the Company is taking all reasonable steps to ensure that the risks associated with Year 2000 issues are minimised and has also provided resources to deal promptly with significant subsequent failures or issues that may arise.

Celtic plc

DIRECTORS' REPORT

THE INTRODUCTION OF THE EURO

Currently the majority of the Company's business is carried out within the UK which remains outwith EMU. However, HM Government has indicated that the decision to join EMU will most likely not occur until early in the next Parliament. In due course, limited modification of certain systems and some training will be required in order to accommodate dual currencies. These modifications will be performed within the timescale of any UK entry into EMU. Although the costs associated with these modifications cannot be readily quantified at this time, in the opinion of the directors these are unlikely to have a material impact upon future results.

EMPLOYEE MATTERS

The Company is an equal opportunity employer committed to effect positive policies in recruitment, training and career development for staff members (and potential staff members) regardless of marital status, religion, colour, race, ethnic origin or disability. The Company gives full consideration to applications for employment by disabled persons where the requirement of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled it is the Company's policy, where practical, to provide continuing employment under similar terms and conditions and to provide training and career development.

HEALTH AND SAFETY

The Company implements strict health and safety regulations. Specifically, it complies with the requirements of the Green Guide to Safety at Sports Grounds (4th Edition), the Health and Safety at Work Act etc 1974, the Management of Health and Safety at Work Regulations 1992 and its associated documentation.

AUDITORS

Pannell Kerr Forster, Chartered Accountants, have indicated their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Heather A Barton, Secretary
Celtic Park, Glasgow, G40 3RE



8 September 1999

Celtic plc

CORPORATE GOVERNANCE

The Board supports and is committed to high standards of corporate governance. The following report sets out how the Company has complied with Section 1, being the "Principles of Good Governance" and Code of Best Practice, of the Combined Code ("the Combined Code") published in June 1998 and explains the Company's approach in relation to the provisions with which it has not complied. Notwithstanding the fact that the Company is moving towards full compliance with the provisions of the Combined Code, it has not fully complied for the entire financial period of the year ended 30 June 1999. In the case of non-compliance, the Company is reviewing its present procedures with the intention of amending same, as appropriate, in order to ensure future complete compliance. Unless otherwise specified, the period of non-compliance was for the full accounting period.

The instances of non-compliance are as follows:

- In terms of the Company's Articles of Association directors who have been longest in office since their last appointment or re-appointment require to retire by rotation. In compliance with A.6.2 of the Combined Code a resolution will be put to the Annual General Meeting to amend the Articles of Association to the effect that all directors must submit themselves for re-appointment at intervals of no more than three years.
- The Company has not previously announced the number of proxy votes cast on resolutions at annual general meetings but will do so with effect from the 1999 meeting.
- The Board is presently preparing for adoption a formal schedule of matters which are reserved to the Board for decision.
- The company is giving less than 20 working days notice of the Annual General Meeting as provided within C.2.4 of the Combined Code.

BOARD OF DIRECTORS

The Board of directors comprises a non-executive chairman, five non-executive directors and two executive directors. The posts of Chairman and Chief Executive are separate and clearly defined. The non-executive directors are from various and diverse business backgrounds and do not participate in the Company's executive share option or pension scheme. The directors are involved in developing the Company's long term strategy and policy. In addition the Board monitors the Company's performance and that of its executive management. The Board meets and transacts business on a formal basis on no less than ten times per year and is supplied in a timely fashion with appropriate information. It also holds at least one full day of strategy debate in the course of the year. It exercises full control over Company strategy. Key operational decisions, including planning, safety and appointment of advisers are subject to Board approval. Financial policies and budgets are approved and monitored by the Board including major capital expenditure.

Procedures are in place whereby directors can seek independent professional advice, at the Company's expense, to assist them in the performance of their duties. The directors also have access to the advice and services of the Company Secretary.

The Board has formally established and delegated certain responsibilities to three committees, namely: Remuneration, Audit and Nomination. Their respective purposes and functions are described below.

THE REMUNERATION COMMITTEE

This committee was established in July 1996. It has formal written terms of reference. It considers and determines, on behalf of the Board, the terms of engagement and remuneration of the Company's executive directors, monitors the Company's executive share option scheme and determines policy on executive and staff bonuses. The members of the committee are all non-executive directors. It is advised internally and is also provided with independent advice from external consultants to assist in determining and developing its policies. Its report is set out on pages 15 and 16.

THE AUDIT COMMITTEE

This committee was established in August 1996. It has formal written terms of reference. It reviews the Company's accounting policies, internal controls and financial reporting. It reviews the scope and quality of the external and internal audit functions. It makes recommendations on these matters to the Board. It considers annual and interim financial statements and such other statements as may be appropriate. It meets at least twice per year including meetings with the external auditor outwith the presence of the executive directors. Members of the committee or a director can request further meetings if considered necessary. It also considers the appointment and fees of the external auditors. The members of the committee are all non-executive directors.

Celtic plc

CORPORATE GOVERNANCE

THE NOMINATION COMMITTEE

This committee was established in July 1998. It has formal written terms of reference. It considers all new appointments to the Board and senior positions in the Company. It recommends appropriate candidates to the Board for consideration. It is responsible for considering re-appointments to the Board and settling any letter of appointment of non-executive directors. The members of the committee are all non-executive directors. Executive search consultants are used by the committee where necessary to assist this process.

INVESTOR COMMUNICATION

The Company maintains open dialogue with its investors by means of regular presentations including its interim and final results and also by means of quarterly informal newsletters issued to all shareholders. The Company is always ready where practicable to enter a dialogue with institutional shareholders to communicate and examine the Company's objectives. The Company views its Annual General Meeting as an opportunity to encourage more communication and participation from its shareholders who are invited to ask questions and to meet with the directors informally thereafter.

REPORTING AND INTERNAL CONTROLS

The Board of directors has ultimate responsibility for ensuring that a balanced and understandable assessment of the Company's position is presented and a coherent and concise narrative within the report and accounts is an integral and essential part of this presentation. The directors also aim to ensure that the highest levels of disclosure are achieved without damaging the Company's competitive position.

The Board has overall responsibility for the Company's system of internal control, the effectiveness of which has been reviewed by the Board. The system is designed to give reasonable but not absolute assurance that the Company's assets are safeguarded against material misstatement or loss and that proper accounting records are maintained.

The key features of the control system are as follows:

- **Control Environment:** a proper and appropriate framework is in place to plan, control and monitor the Company's activities which allows for appropriate delegation of authority and accountability having regard to acceptable levels of risk.
- **Business Risk Assessment:** the financial implications of significant business risk are kept under review and controlled by the Board.
- **Financial Reporting:** comprehensive internal forecasting is carried out and periodically updated. Monthly results are reported and significant variances from budget investigated.

The directors believe that they will be well placed to review and report on the effectiveness of the whole of the Company's system of internal control, including risk management, as required by the Combined Code when definitive guidance has been issued. Until the publication of such guidance, the Board has complied with the terms of D.2.1 of the Combined Code on internal control by reporting on this.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Celtic plc

REPORT OF THE REMUNERATION COMMITTEE

This report has been prepared by the Remuneration Committee and has been approved by the Board for submission to shareholders. Its members are: Brian Quinn (Chairman), Frank O'Callaghan, Sir Patrick Sheehy and Dermot Desmond.

The Company complies with the provisions of the Combined Code on directors' remuneration. The Committee supports the principle that the levels of executive directors and senior management remuneration should be sufficient, without paying more than is necessary, to attract and retain individuals of the highest calibre and quality to run the Company successfully in the best interests of the shareholders. The committee has given full consideration to and follows the provisions of Schedule A of the Combined Code.

INDIVIDUAL DIRECTORS' EMOLUMENTS & PENSION ENTITLEMENTS

Individual Directors Emoluments	Salary/Fees	Bonus	Benefits in kind	Pension contributions	1999 Total	1998 Total
	£	£	£	£	£	£
F O'Callaghan	12,500	-	-	-	12,500	-
A MacDonald	50,000	-	-	-	50,000	-
B Quinn	15,000	-	-	-	15,000	11,250
E J Riley	72,000	38,400	8,316	7,200	125,916	99,311
F J McCann	54,000	-	10,790	-	64,790	141,796
D F Desmond	15,000	-	-	-	15,000	3,750
Sir Patrick Sheehy	15,000	-	-	-	15,000	11,250
K Sweeney	15,000	-	-	-	15,000	-
	<u>248,500</u>	<u>38,400</u>	<u>19,106</u>	<u>7,200</u>	<u>313,206</u>	<u>267,357</u>

The bonus payment to Mr Riley includes a sum of £24,000 for additional temporary responsibilities undertaken during the year.

BASE SALARY

The Committee sets base salary annually for each executive director by reference to individual performance and to comparable external market data provided by external consultants. Fees of £27,500 were paid to third parties in respect of the provision of services of non-executive directors.

ANNUAL PERFORMANCE - RELATED BONUS

Executive directors participate in the Company's performance related bonus scheme. The scheme focuses on business and individual performance and can provide up to a maximum total payment of 50% of salary for executive directors. Payments under the scheme are non-pensionable and are subject to the approval of the Committee.

The bonus structure is reviewed regularly to ensure that it reflects the needs of the business.

SHARE OPTION SCHEME

The Company operates an executive share option scheme which applies to executive directors and certain senior managers. The last grant of executive share options to executive directors was in January 1995. Existing options remain exercisable.

Mr Riley was granted options over 125,000 ordinary shares of 1p each on 19 January 1995 under the Celtic plc Executive Share Option Scheme. These options were granted at an option price of 64p per share and are exercisable between 19 January 1998 and 19 January 2005.

PENSION

The executive directors and other senior managers are provided with pension benefits through the Company's pension scheme.

EMPLOYMENT TERMS

Executive directors' employment is terminable by the Company on 12 months notice. In the event of early termination none of the executive directors are entitled to receive pre-determined amounts of compensation. Senior managers within the Company have notice periods ranging from three to six months.

OTHER BENEFITS

Executive directors are eligible for a range of benefits on which they are assessed for income tax and which include the provision of a company car, fuel, private medical and permanent health insurance. Certain senior executives are also eligible for certain of these benefits. The Company provides all levels of full-time employees with a discount on merchandise and products sold by the Company.

Celtic plc

REPORT OF THE REMUNERATION COMMITTEE

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Remuneration of the non-executive directors is considered by the Board generally and consists of fees for their service in connection with the Board and its committees. In setting the fees, the Company takes external advice regarding fees in comparable companies of a similar size. The non-executive directors have no personal financial interest other than as shareholders. They do not have service contracts, are not members of the Company's pension scheme and do not participate in any bonus scheme, share option or other profit schemes. They have no potential conflicts arising from cross-directorships or day to day involvement in running the Company.

The committee's Chairman will be available to answer questions concerning directors' remuneration at the Company's Annual General Meeting.

ON BEHALF OF THE REMUNERATION COMMITTEE

Brian Quinn
Chairman

8 September 1999

Celtic plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the Group's profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FIVE YEAR RECORD

YEARS ENDED 30 JUNE

	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
FINANCIAL					
TURNOVER	33,840	27,821	22,189	16,005	10,376
PROFIT FROM OPERATIONS	6,754	5,094	5,899	2,735	669
PROFIT/(LOSS) AFTER TAXATION	550	7,101	5,152	(1,013)	(401)
DIVIDENDS	533	533	533	-	-
SHARES IN ISSUE ('000)	47,500	475	475	475	453
EARNINGS/(LOSS) PER ORDINARY SHARE **	0.06p	22.65p	15.93p	(3.49p)	(1.73p)
DILUTED EARNINGS/(LOSS) PER SHARE **	1.16p	14.90p	10.83p	(2.24p)	(1.29p)
NET ASSETS	42,592	42,575	36,007	31,388	29,095
NUMBER OF EMPLOYEES	424	375	320	288	237
FOOTBALL					
LEAGUE POSITION	2	1	2	2	4
LEAGUE POINTS	68	74	75	83	51
SCOTTISH CUP	FINAL	SEMI FINAL	SEMI FINAL	SEMI FINAL	WINNERS
LEAGUE CUP	THIRD RD	WINNERS	FOURTH RD	FOURTH RD	FINAL
EUROPEAN TIES PLAYED	4	3	2	2	0
CELTIC PARK*					
STADIUM INVESTMENT TO DATE (£000)	49,661	46,764	37,011	34,690	23,335
STADIUM SEATING CAPACITY	60,506	50,552	50,552	37,944	34,082
AVERAGE HOME ATTENDANCE	56,223	46,415	46,317	33,225	25,347
SEASON TICKET SALES	53,388	42,322	40,529	29,370	18,029

* The attendance and capacity figures for 1995 are for Hampden Park.

** The comparative figures have been adjusted to take account of the 100 for 1 share split, which took place during the year to 30 June 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF

Celtic plc

We have audited the financial statements on pages 19 to 31 which have been prepared on the basis of the accounting policies set out on page 23.

Respective responsibilities of directors and auditors

As described on page 17, the Company's directors are responsible for the preparation of the Annual Report including financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statements on pages 13 and 14 reflect the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange and we report if they do not. We are not required to form an opinion on the effectiveness of either the Company's corporate governance procedures or its internal controls.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 1999 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PANNELL KERR FORSTER

Chartered Accountants
Registered Auditors
GLASGOW



8 September 1999

Celtic plc

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 1999

	Note	1999 £000	1998 £000
TURNOVER	2	33,840	27,821
OPERATING EXPENSES	3	<u>(27,086)</u>	<u>(22,727)</u>
PROFIT FROM OPERATIONS		6,754	5,094
AMORTISATION OF INTANGIBLE FIXED ASSETS	13	(6,088)	(5,348)
NET GAIN ON SALE OF INTANGIBLE FIXED ASSETS		<u>347</u>	<u>7,410</u>
OPERATING PROFIT		1,013	7,156
INTEREST RECEIVABLE AND SIMILAR INCOME	7	-	97
INTEREST PAYABLE AND SIMILAR CHARGES	8	<u>(463)</u>	<u>(121)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		550	7,132
TAX ON ORDINARY ACTIVITIES	9	<u>-</u>	<u>(31)</u>
PROFIT FOR THE YEAR		550	7,101
PREFERENCE DIVIDEND	10	<u>(533)</u>	<u>(533)</u>
RETAINED PROFIT FOR THE YEAR	21	<u>17</u>	<u>6,568</u>
EARNINGS PER ORDINARY SHARE	11	0.06p	22.65p
DILUTED EARNINGS PER SHARE	11	1.16p	14.90p

All amounts relate to continuing operations.

There were no gains or losses recognised in 1999 other than the profit for the year.

Celtic plc


GROUP BALANCE SHEET

30 JUNE 1999

		1999		1998	
	Note	£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	12		43,773		41,724
Intangible assets	13		<u>13,538</u>		<u>14,441</u>
			<u>57,311</u>		<u>56,165</u>
CURRENT ASSETS					
Stocks	15	532		495	
Debtors	16	3,556		2,642	
Cash at bank and in hand		<u>1,645</u>		<u>21</u>	
			<u>5,733</u>		<u>3,158</u>
CREDITORS - Amounts falling due within one year					
Income deferred less than one year	17	(7,148)		(8,621)	
	18	<u>(8,525)</u>		<u>(7,918)</u>	
			<u>(15,673)</u>		<u>(16,539)</u>
NET CURRENT LIABILITIES			<u>(9,940)</u>		<u>(13,381)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>47,371</u>		<u>42,784</u>
CREDITORS - Amounts falling due after more than one year					
	19		<u>(4,779)</u>		<u>(209)</u>
NET ASSETS			<u>42,592</u>		<u>42,575</u>
CAPITAL AND RESERVES					
Called up share capital (includes non-equity)	20		11,390		11,390
Share premium	21		17,361		17,361
Profit and loss account	21		<u>13,841</u>		<u>13,824</u>
SHAREHOLDERS' FUNDS			<u>42,592</u>		<u>42,575</u>

Approved by the Board on 8 September 1999

Allan MacDonald



Director

Eric J Riley



Director

Celtic plc

COMPANY BALANCE SHEET

30 JUNE 1999

	Note	1999		1998	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	12		43,773		41,724
Intangible assets	13		13,538		14,441
			<u>57,311</u>		<u>56,165</u>
CURRENT ASSETS					
Stocks	15	532		495	
Debtors	16	3,538		2,870	
Cash at bank and in hand		<u>1,636</u>		<u>17</u>	
		<u>5,706</u>		<u>3,382</u>	
CREDITORS - Amounts falling					
due within one year	17	(7,429)		(8,858)	
Income deferred less					
than one year	18	<u>(8,525)</u>		<u>(7,918)</u>	
		<u>(15,954)</u>		<u>(16,776)</u>	
NET CURRENT LIABILITIES			<u>(10,248)</u>		<u>(13,394)</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES			47,063		42,771
CREDITORS - Amounts falling due					
after more than one year	19		<u>(4,779)</u>		<u>(209)</u>
NET ASSETS			<u>42,284</u>		<u>42,562</u>
CAPITAL AND RESERVES					
Called up share capital (includes non-equity)	20		11,390		11,390
Share premium	21		17,361		17,361
Profit and loss account	21		13,533		13,811
SHAREHOLDERS' FUNDS			<u>42,284</u>		<u>42,562</u>

Approved by the Board on 8 September 1999

Allan MacDonald

Director

Eric J Riley

Director

Celtic plc

GROUP CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 1999

	1999	1998
	£000	£000
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit	1,013	7,156
Depreciation	974	747
Amortisation of intangible fixed assets	6,088	5,348
Net gain on sale of intangible fixed assets	(347)	(7,410)
Grants release	(1)	(2)
Increase in stocks	(37)	(369)
Increase in debtors	(1,520)	(188)
Increase in creditors	1,707	2,303
	7,877	7,585
 CASH FLOW STATEMENT		
Net cash inflow from operating activities	7,877	7,585
Returns on investments and servicing of finance (note 23)	(996)	(557)
Taxation paid	(139)	(133)
Capital expenditure and financial investment (note 23)	(8,250)	(12,033)
Cash outflow before use of liquid resources and financing	(1,508)	(5,138)
Financing (note 23)	4,909	(96)
Increase/(decrease) in cash	3,401	(5,234)
 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 24)		
Increase/(decrease) in cash in the period	3,401	(5,234)
Cash (inflow)/outflow from (increase)/decrease in debt	(4,909)	96
Change in net debt resulting from cash flows and movement in net debt in the period	(1,508)	(5,138)
Net (debt)/funds at 1 July	(2,169)	2,969
Net debt at 30 June	(3,677)	(2,169)

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1999

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements set out on pages 19 to 31 are prepared under the historical cost convention and comply with applicable accounting standards.

(b) Basis of consolidation

The consolidation includes the financial statements of the Company and its subsidiary undertakings and is based on their audited financial statements for the year ended 30 June 1999.

As provided by Section 230 of the Companies Act 1985 a separate profit and loss account has not been presented for the Company.

(c) Depreciation

Depreciation is not provided on freehold land and buildings. It is the Group's policy to maintain all its properties in such a condition that the estimated aggregate residual disposal values are at least equal to their book values. Consequently any element of depreciation would, in the opinion of the directors, be immaterial. Residual disposal values are appraised each year by reference to the estimated depreciated replacement cost of the properties in aggregate, and Celtic Park in particular. Provision is made against the cost of properties in the event of any diminution in their value. Other tangible fixed assets are written off over their estimated useful lives on a reducing balance basis at the following annual rates:

Plant and vehicles	10% - 25%
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Fixtures, fittings and equipment	10% - 33%
----------------------------------	-----------

(d) Intangible fixed assets

Costs associated with the acquisition and retention of players are capitalised and treated as intangible fixed assets. These amounts are amortised evenly over the contract period, on the basis of nil residual values.

(e) Turnover

Turnover which is exclusive of value added tax represents match receipts and other income associated with the continuing principal activity of running a professional football club.

(f) Grants

Grants in respect of capital expenditure on assets which are depreciated are treated as deferred income, a proportion of which is transferred to revenue annually over the estimated useful life of the asset.

Grants in respect of capital expenditure on assets which are not depreciated are deducted from the cost of the asset. This represents a departure from the requirements of the Companies Act 1985; the financial effect of this departure is disclosed in Note 12. In the opinion of the directors the accounting treatment adopted is appropriate in order to show a true and fair view on the basis that the grants are specific to the acquisition of the assets concerned and not made as a contribution to finance the general activities of the Company.

Other grants of a revenue nature are credited to revenue as received.

(g) Leasing obligations

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreements as incurred.

(h) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.

(i) Pension costs

The Group operates a defined contribution scheme providing benefits for employees additional to those from the state. The pension cost charge includes contributions payable by the Group to the fund in respect of the year.

(j) Foreign exchange

Transactions denominated in foreign currency are translated at the date of the transaction. Foreign currency assets and liabilities at the year end are translated at the year end exchange rate or the exchange rate of a related forward contract if applicable. The resulting exchange gain or loss is dealt with in the profit and loss account at the date of crystallisation.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1999

2 TURNOVER	1999	1998
	£000	£000
Turnover comprised:		
Ticket sales	15,404	11,993
Broadcasting fees and publishing	4,383	3,407
Merchandise revenue	5,100	4,771
Catering	2,647	2,174
Other commercial income	6,306	5,476
	<u>33,840</u>	<u>27,821</u>
3 OPERATING EXPENSES	1999	1998
	£000	£000
Operating expenses include the following charges:		
Auditors' remuneration : audit fees	20	17
: other fees	49	16
: fees paid to associated companies	18	-
Staff costs (Note 4)	14,503	12,443
Depreciation (Note 12)	974	747
Operating leases	14	11
	<u>14,503</u>	<u>12,443</u>
4 STAFF PARTICULARS	1999	1998
	£000	£000
Wages and salaries	12,867	11,047
Social security costs	1,258	1,058
Other pension costs	378	338
	<u>14,503</u>	<u>12,443</u>
Comprising:		
Players, managerial and training staff	9,970	8,476
Sales, administration and ancillary staff	4,533	3,967
	<u>14,503</u>	<u>12,443</u>
	Number	Number
Average number employed in the year :		
Players, managerial and training staff	85	82
Sales, administration and ancillary staff	339	293
	<u>424</u>	<u>375</u>

5 DIRECTORS' EMOLUMENTS

Details of directors' emoluments are included within the Remuneration Committee Report on pages 15 and 16.

6 PENSION COSTS

The assets of the Group pension scheme are held separately from those of the Group in a fund administered by the Prudential Life Assurance Company.

Contributions made by the Group to the scheme during the year amounted to £92,218 (1998 - £75,535). Contributions of £11,191 (1998 - £10,306) were payable to the fund at the year end.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1999

7 INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable and similar income represents interest receivable on bank deposits.

8 INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges comprised:

	1999	1998
	£000	£000
On bank loans and overdrafts wholly repayable within five years	<u>463</u>	<u>121</u>

9 TAX ON ORDINARY ACTIVITIES

	1999	1998
	£000	£000
UK corporation tax	-	25
Adjustment in respect of previous year	-	6
	<u>-</u>	<u>31</u>
Effective rate of corporation tax	-	25.8%
Statutory rate of corporation tax	30%	31%

No provision for taxation is required on trading profits as a result of tax losses brought forward. Estimated tax losses available for set-off against future trading profits amount to approximately £4,000,000 (1998 - £3,000,000). This estimate is subject to the agreement of the current and prior years' corporation tax computations with the Inland Revenue.

10 PREFERENCE DIVIDEND

The preference dividend of £532,800 (1998 - £532,800) reflects the dividend of 6% (inclusive of tax credit) payable on 31 August 1999 to those preference shareholders on the register at 20 August 1999.

11 EARNINGS PER SHARE

Earnings per share has been calculated by dividing the profit for the period by the number of ordinary shares (29 million) in issue. Diluted earnings per share has been calculated by dividing the profit for the period by the total number of ordinary and preference shares (total 47.5 million) in issue at 30 June 1999 and the full exercise of outstanding share purchase options (see note 20).

The 1998 comparative figures have been adjusted to take account of the 100 for 1 share split, which took place during the year to 30 June 1999.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1999

12 FIXED ASSETS - TANGIBLE ASSETS

Group and company

The movement on these accounts during the year was as follows:

	Freehold Land and Buildings £000	Plant and Vehicles £000	Fixtures Fittings and Equipment £000	Total £000
Cost				
At 1 July 1998	35,431	590	8,334	44,355
Additions	396	126	2,501	3,023
At 30 June 1999	<u>35,827</u>	<u>716</u>	<u>10,835</u>	<u>47,378</u>
Accumulated Depreciation				
At 1 July 1998	-	294	2,337	2,631
Charge for year	-	45	929	974
At 30 June 1999	<u>-</u>	<u>339</u>	<u>3,266</u>	<u>3,605</u>
Net Book Value				
At 30 June 1999	<u>35,827</u>	<u>377</u>	<u>7,569</u>	<u>43,773</u>
At 30 June 1998	<u>35,431</u>	<u>296</u>	<u>5,997</u>	<u>41,724</u>

Freehold Land and Buildings are net of grants received of £2,999,000 (1998 - £2,999,000).

13 FIXED ASSETS - INTANGIBLE ASSETS

1999
£000

1998
£000

Group and company

Player Registrations

Cost

At 1 July	22,334	14,139
Additions	6,058	12,232
Disposals	(1,800)	(4,037)
At 30 June	<u>26,592</u>	<u>22,334</u>

Amortisation

At 1 July	7,893	5,181
Charge for year	6,088	5,348
Disposals	(927)	(2,636)
At 30 June	<u>13,054</u>	<u>7,893</u>

Net Book Value

At 30 June	<u>13,538</u>	<u>14,441</u>
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The net gain on sale of player registrations in the year was £347,000 (1998 - £7,410,000).

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1999

14 SUBSIDIARY COMPANIES

Details of companies of which Celtic plc holds 100% of their issued ordinary share capital are as follows:-

Subsidiary undertaking	Activity
Protectevent Limited	Stewarding and security services
Glasgow Eastern Developments Limited	Management of properties
The Celtic Football and Athletic Company Limited	Football Club management & promotional services

These companies are registered in Scotland. The information above has been extracted from their accounts for the year ended 30 June 1999. The Company also holds an investment of 10% in the equity share capital of The Scottish Premier League Limited, a company registered in Scotland.

15 STOCKS

Group and company	1999 £000	1998 £000
Goods for resale	508	481
Consumables	24	14
	<u>532</u>	<u>495</u>

16 DEBTORS

	1999 Group £000	1998 Group £000	1999 Company £000	1998 Company £000
Debtors comprised:				
Trade debtors	1,269	1,815	1,251	1,777
Advance corporation tax	266	266	266	266
Other debtors	34	50	34	50
Prepayments and accrued income	1,987	511	1,987	511
Due from subsidiary undertaking	-	-	-	266
	<u>3,556</u>	<u>2,642</u>	<u>3,538</u>	<u>2,870</u>

Included in trade debtors is an amount of £381,000 (1998 - £1,023,750) in respect of sums due from the sale of intangible fixed assets, all of which is due within one year.

The increase in prepayments and accrued income reflects increased accrued television revenue in 1999, which was not received until after the year end.

Advance corporation tax of £266,400 is recoverable after one year.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1999

17 CREDITORS - amounts falling due within one year

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Creditors comprised:				
Loan instalments	422	77	422	77
Bank overdraft	-	1,777	-	2,014
Other loans	192	216	192	216
Trade creditors	1,029	2,090	1,026	2,090
Corporation tax	17	22	17	22
Advance corporation tax	-	133	-	133
Other taxation and social security	2,054	1,149	2,054	1,149
Proposed preference dividend	533	533	533	533
Other creditors	527	1,531	527	1,531
Accruals	2,374	1,093	2,373	1,093
Due to subsidiary undertaking	-	-	285	-
	<u>7,148</u>	<u>8,621</u>	<u>7,429</u>	<u>8,858</u>

The movement in other taxation and social security represents an increase in the value added tax liability as a result of the timing of income relating to the forthcoming football season.

The reduction in other creditors reflects accrued capital expenditure at 30 June 1998.

Other loans comprise interest free loans from members of the Executive Club which are repayable within thirty days of demand.

18 INCOME DEFERRED LESS THAN ONE YEAR

	1999 £000	1998 £000
Group and company		
Deferred income	<u>8,525</u>	<u>7,918</u>

Deferred income comprises season ticket, sponsorship and other elements of income which have been received prior to the year end in respect of the following football season.

19 CREDITORS - amounts falling due after more than one year

	1999 £000	1998 £000
Group and company		
Loan instalments	4,708	120
Accruals	71	89
	<u>4,779</u>	<u>209</u>

Group and company

	1999 £000	1998 £000
The loan instalments which are unsecured are repayable in instalments as follows:		
In one year or less	422	77
Between one and two years	527	58
Between two and five years	1,556	62
In more than five years	2,625	-
	<u>5,130</u>	<u>197</u>

Loans repayable by instalments include a bank loan of £5m. This loan bears interest at London Inter-Bank Offered Rate plus 1.5%. The loan is repayable in equal quarterly instalments over 10 years commencing in December 1999. The company has the option to repay the loan earlier than this date without penalty.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1999

20 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid			
	1999 No.'000	1998 No.'000	1999 No.'000	1999 £000	1998 No.'000	1998 £000
Equity						
Ordinary shares of 1p each	29,500	-	29,000	290	-	-
Ordinary shares of £1 each	-	295	-	-	290	290
Non-equity						
Convertible cumulative preference shares of 60p each	20,000	-	18,500	11,100	-	-
Convertible cumulative preference shares of £60 each	-	200	-	-	185	11,100
	<u>49,500</u>	<u>495</u>	<u>47,500</u>	<u>11,390</u>	<u>475</u>	<u>11,390</u>

Following approval of a Special Resolution by shareholders on 14 September 1998, the nominal ordinary and preference share capital of the company was split in the ratio of 100 for 1 on 21 September 1998.

Each preference share of 60p carries the right, subject to the availability of distributable profits, to the payment of a fixed preference dividend equal to 6% (inclusive of any associated tax credit) of its nominal value, cumulative with effect from 1 July 1996. The first dividend was paid on 31 August 1997. Holders of preference shares of 60p are entitled on or at any time after 30 June 2001 to convert each preference share into one "A" ordinary share of 60p. These "A" ordinary shares of 60p each will rank pari passu in all respects with the ordinary shares of 1p each.

Under the Celtic plc Executive Share Option Scheme certain full time employees may be granted options to subscribe for ordinary shares after a period of three years from the date of the grant. Certain employees were granted options over a total of 24,000 ordinary shares of 1p each on 24 April 1997 at the market value on that date of £3. These options are exercisable any time between 24 April 2000 and 24 April 2007.

Details of directors' share options are included within the Remuneration Committee Report on pages 15 and 16.

21 RESERVES

The movement of reserves during the year was as follows:

	Group		Company	
	Share Premium Account £000	Profit and Loss Account £000	Share Premium Account £000	Profit and Loss Account £000
At 1 July 1998	17,361	13,824	17,361	13,811
Retained profit/(loss) for the year	-	17	-	(278)
At 30 June 1999	<u>17,361</u>	<u>13,841</u>	<u>17,361</u>	<u>13,533</u>

The Company's profit for the financial year is £255,000 (1998 - £7,101,000).

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1999

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £000	1998 £000
Retained profit for the financial year	17	6,568
Balance at 1 July	42,575	36,007
Balance at 30 June	<u>42,592</u>	<u>42,575</u>

At 30 June 1999 Shareholders' Funds included £11,100,000 (1998 - £11,100,000) which is attributable to non-equity shareholders. This relates entirely to preference shares.

23 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1999 £000	1998 £000
Returns on investments and servicing of finance		
Interest received	-	97
Preference dividend paid	(533)	(533)
Interest paid	(463)	(121)
Net cash outflow from returns on investments and servicing of finance	<u>(996)</u>	<u>(557)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,056)	(8,960)
Purchase of intangible fixed assets	(6,020)	(12,920)
Sale of intangible fixed assets	1,826	9,847
Net cash outflow from capital expenditure and financial investment	<u>(8,250)</u>	<u>(12,033)</u>
Financing		
Loans received	5,000	-
Loan instalments paid	(91)	(96)
Net cash inflow/(outflow) from financing	<u>4,909</u>	<u>(96)</u>

24 ANALYSIS OF NET DEBT

	At 1 July 1998 £000	Cash Flow £000	At 30 June 1999 £000
Cash at bank and in hand	21	1,624	1,645
Overdrafts	(1,777)	1,777	-
	<u>(1,756)</u>	<u>3,401</u>	<u>1,645</u>
Debt due within 1 year	(293)	(321)	(614)
Debt due after 1 year	(120)	(4,588)	(4,708)
	<u>(413)</u>	<u>(4,909)</u>	<u>(5,322)</u>
Net debt	<u>(2,169)</u>	<u>(1,508)</u>	<u>(3,677)</u>

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1999

25 CAPITAL AND OTHER FINANCIAL COMMITMENTS	1999	1998
	£000	£000
a. Capital commitments		
Authorised and contracted for:	2,242	2,536

b. Transfer fees payable/receivable

Under the terms of certain contracts with other football clubs in respect of the transfer of player registrations, additional amounts would be payable/receivable by the Company if specific future conditions are met. Amounts in respect of such contracts could result in an amount payable of £572,000 (1998 - £225,000), of which £247,000 could arise within one year and amounts receivable of £325,000 (1998 - £525,000), all of which could arise within one year.

The above figures exclude any income which may be achieved if the Company's claim for compensation in respect of the transfer of John Collins to AS de Monaco is successful.

c. Cross guarantees

Cross guarantees exist between the Company and its subsidiary undertakings. The extent of these at 30 June 1999 was £Nil (1998 - £Nil).

26 FINANCIAL INSTRUMENTS

Details of the financial instruments of the company during the financial year ended 30 June 1999, and as at the balance sheet date are as follows:

Short term debtors and creditors have been excluded from the following disclosures in accordance with appropriate accounting standards.

The company has no financial assets other than ACT recoverable and cash.

The bank loan and overdrafts bear interest at LIBOR plus 1.5% and base rate plus 1.25% respectively. The other loans of the company are interest free. It is the company's policy to secure funding at the most cost-effective rates of interest available to the company.

The company's non-equity (preference) shares are convertible to equity (ordinary) shares on or any time after 30 June 2001. Until these shares are converted to equity, the holders are entitled to a fixed dividend of 6% gross.

The majority of the transactions undertaken in the year are in sterling, therefore the company's exposure to foreign currency risk is minimal.

The Company has not, at any time during the accounting period, used financial instruments for hedging purposes.

The maturity profile of the company's financial liabilities at 30 June 1999 is disclosed in notes 19 and 20.

The fair value of the company's financial assets and liabilities are not materially different to their book value.

The company achieves short-term liquidity flexibility through use of a bank overdraft.

The company has, at the balance sheet date, an undrawn overdraft facility of £11,500,000, which is due for renewal in the coming year.

27 POST BALANCE SHEET EVENTS

Since the balance sheet date further capital expenditure on intangible assets of £9.375m has been committed.

CELTIC CHARITY FUND

During the year, Celtic Charity Fund raised over £120,000 from which many worthy causes will benefit. This figure brings the total amount raised over the last three years, including the club's direct contribution to over £0.5m

The money raised has come from Celtic Football Club, Celtic supporters, staff, directors, players, as well as corporate clients and many members of the general public who support Celtic's charitable traditions.

In addition to the many cash donations which were made throughout the year, Celtic donated hundreds of signed footballs, complimentary tickets and other items to numerous charitable causes. The amount of money raised directly and indirectly was substantial. Club representatives and players also made a considerable number of visits to hospitals and in support of charity and community events.

Celtic Charity Fund has the following aims:

1. To raise funds and support specific areas of charity work, selected each year by Celtic Football Club;
2. To uphold and promote the charitable principles and heritage of Celtic Football Club.

Celtic Charity Fund has identified three principal areas of support:

1. Charities in support of children's needs;
2. Community action on drugs;
3. Projects that develop religious and ethnic harmony

And three subsidiary areas:

- a) Supporting the homeless;
- b) Helping the unemployed;
- c) Support and research for projects aiding the afflictions of illness, famine and innocent families within the areas of war.

Over the last year, Celtic has made donations to a number of homeless organisations including the Glasgow Simon Community, with Celtic again sponsoring the annual Christmas Party for 300 homeless people which was attended by players and management. The Society of St. Vincent de Paul and Social Responsibility, part of the Church of Scotland, received support to assist in the considerable work with the homeless both organisations undertake.

The homeless organisation Shelter Scotland will also benefit from a substantial donation as principal beneficiary of the highly successful Celtic Charity Fund Sporting Dinner in 1999.

Celtic's concerted effort to combat bigotry and encourage social integration continued over the year. Organisations to benefit through donations included Northern Ireland Children's Events and Omagh Town in the Community. Both organisations bring together children from deprived backgrounds and divided communities to encourage greater social integration and understanding and appreciation of people's rights to their own cultural identity. The Omagh Fund also received a substantial donation to continue its important work in support of the victims of the terrorist bombing in Omagh last year.

Celtic's support of ethnic minorities initiatives continued over the year. In January 1999, Celtic sponsored and hosted The Equality Goal seminar. The first of its kind ever to be staged in Scotland, the conference was attended by over 300 delegates, and focussed on the many issues surrounding racism in sport.

The Scottish Asian Sports Association also received a donation to assist with its excellent work in promoting social integration and ethnic harmony, with Celtic players and coaching staff participating in a coaching session for the SASA Soccer Team to mark this donation.

Celtic's association with Glasgow's Yorkhill Hospital continued throughout last year. The Schiehallion Unit for seriously ill children was again treated to a Christmas Party attended by the Celtic squad and senior management at which a substantial donation was presented to the Unit.

Other recipients of donations last year include the Glasgow Taxis Outing Fund for Sick Children which took around 1500 special needs and under privileged children on a special day out to Troon, Fairbridge in Scotland, which supports young people struggling to meet the demands of society and the Parkhead Youth Project which offers support to young people in the local area surrounding Celtic Park.

Among the other many organisations to benefit are homeless street help charity Loaves & Fishes, the Scotland for Kosovo initiative, Northern Ireland Children's Holiday Scheme, Glasgow Pilgrimage for Handicapped Children, local organisations South Camlachie Youth Project and Camlachie Housing Association, as well as Aberlour Childcare Trust, and the Saffron Befriending Service.

In 1999, 111 years after the Club's formation, Celtic is involved in more community and charitable work and also, through Celtic Charity Fund, donating more money to charity than at any time during its history.

Celtic Football Club is committed to supporting the community and is proud that today it strives to honour the charitable objectives of the Club's founder Brother Walfrid.

We would like to record our thanks to Celtic Charity Fund Raising Action Group members Charles Barnett, Liam Donnelly and Martin Super as well as the Trustees and many voluntary helpers who have worked extremely hard to again achieve such a high level of success throughout the year and ensure Celtic's charitable principles are maintained.

If you wish to support Celtic Charity Fund in 1999/2000, please send donations to:

Celtic Charity Fund
Public Relations Department
Celtic Football Club
Celtic Park
Glasgow
G40 3RE

Inland Revenue Recognised Charity
Number SC024648