

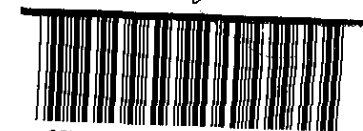


Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2000

COMPANY NUMBER: 3487



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# **Celtic plc**

## **ANNUAL REPORT**

**YEAR ENDED 30 JUNE 2000**

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# Celtic plc

## SUMMARY OF THE RESULTS

Profit from operations before exceptional operating expenses of £4.68m (1999: £6.75m).

Loss on ordinary activities after taxation of £5.98m (1999: £550,000 profit).

Turnover increased by 14% to £38.58m (1999: £33.84m) despite a disappointing year in terms of footballing performance.

Significant increases in revenues from merchandising of 46.7% and multimedia and communications of 46.3%.

Substantial investment in the development of the core professional football operation led to operating expenses up by 25.2% to £33.90m, predominantly due to an increase in labour costs.

A gross investment of £14.72m was made in strengthening the first team squad; new extended contracts awarded to key players.

Active participation in discussions to restructure the economics of European football.

Appointment of Martin O'Neill as football manager.

Since the year end £10.36m invested in acquiring Sutton and Valgaeren.

# Celtic plc

## ANNUAL REPORT

YEAR ENDED 30 JUNE 2000

### DIRECTORS, OFFICERS AND ADVISERS

#### Directors

Brian Quinn CBE (Chairman)\*  
Allan MacDonald OBE (Chief Executive)  
Eric J Riley (Financial Director)  
Kevin Sweeney  
Dermot F Desmond\*  
Sir Patrick Sheehy (Senior Independent Director)\*

#### Company Secretary

Kevin Sweeney

#### 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  
James P Hone  
Kevin Sweeney  
John S Keane\*  
Michael A McDonald\*

\* Independent Non-Executive Director

#### Football Manager

Martin O'Neill

#### Auditors

Pannell Kerr Forster

#### Solicitors

McGrigor Donald

#### Bankers

The Co-operative Bank plc

#### Stockbrokers

Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
London  
EC2N 2DB

#### Registrars

Computershare Services plc  
78 Carlton Place  
Glasgow  
G5 9TH

#### Remuneration Committee

Dermot F Desmond (Chairman)\*  
Brian Quinn CBE\*  
Sir Patrick Sheehy\*

#### Audit Committee

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

#### Nomination Committee

Sir Patrick Sheehy (Chairman)\*  
Dermot F Desmond\*  
Allan MacDonald OBE  
Brian Quinn CBE\*

#### Web Site

[www.celticfc.co.uk](http://www.celticfc.co.uk)

# Celtic plc

## CHAIRMAN'S STATEMENT

This year fell substantially short of our aspirations on and off the field, and also significantly below what shareholders and supporters have a right to expect. The Board is fully conscious of this and has considered the reasons and the proper response at length.

It is absolutely clear from the year just ended that commercial success is directly and immediately related to football success. In both spheres last year was, in the words of the pundits, a year of two halves: until the end of 1999 the *team competed well in domestic competitions*. Early departure from the UEFA Cup was disappointing but could be explained partly by the serious injury to Henrik Larsson. Financial performance was also fairly satisfactory.

However the second half of the year was plainly unsatisfactory. The lack of depth in playing resources began to tell and defeat in the Scottish Cup led to a palpable drop in confidence among both coaching and playing staff. The team rallied to win the CIS League Cup for the second time in three years, but fell away badly in the later stages of the Premier League.

The effect on our business was swift and painful. Match attendances suffered, match day ticket sales declined sharply and turnover generally dropped away. In football, revenues are directly related to performance on the field while costs are fixed at a level determined by the market. The most challenging aspect to our cost base is the control of labour costs especially football labour costs: in the current year our total labour costs, which represent 52% of turnover, increased by 39% to £20.17m. Nevertheless our labour costs continue to compare favourably with our competitors north and south of the border.

The Board has recognised that a major effort has to be devoted to bolstering the football operation. We have acquired the services of Martin O'Neill, one of the outstanding managers in the British game. Martin is turning his attention to strengthening the football squad and the Board will give him full support in this. Martin is particularly keen to pursue our youth development programme, details of which are contained in the Chief Executive's report.

All this costs money. Nothing in football comes cheaply, especially acquiring and paying players. Transfer fees command the headlines, but salaries and bonuses are at least equally demanding. Whilst further increases in labour costs are an unavoidable consequence of the strategy to pursue football success, they will continue to be carefully controlled through our budgeting, reporting and control framework with the aim that the total operational costs of the Club's professional football operation be wholly funded by income from the paid attendance at Celtic Park.

Going forward, we will therefore have to explore ways of generating additional income from ticket sales. At present we provide season and match day tickets at prices which, for almost all categories, are cheap by comparison with other British clubs which are our competitors for players and coaching staff. It is no coincidence that these clubs tend to attract the top-quality players. I believe that our supporters will recognise that enhancing the quality of our squad will justify a higher contribution from them in the form of ticket revenues.

*In the medium to long term our approach is to support the development of our football activities by exploiting our strong brand in various ways, and by expanding our non-football revenues.* Meantime we have increased our borrowings to help finance current demands; but they are carefully and continuously monitored by the Board and management, who also constantly review the possibility of alternative funding initiatives whether through the value of Celtic's multimedia and communications operation or otherwise. We will never put the club's future at risk by neglecting the management of our finances. The Company remains strong financially with good prospects of developing our business base and enhancing shareholder value.

Finally, I believe it is becoming accepted that the Scottish football structure is not succeeding in its present form. We face the prospect of a steady downward spiral in which both the strongest and the weakest Scottish club sides will see a deterioration in their ability to supply attractive and competitive football. It cannot be healthy for the domestic competitions to be dominated by a very few teams, while our top clubs enjoy only limited success in Europe. The European pie gets bigger year by year but is shared between a diminishing number of teams from a select few countries, while the smaller countries and clubs scramble for the crumbs.

# Celtic plc

## CHAIRMAN'S STATEMENT

Celtic is part of the Scottish football scene. We will not abandon it and leave our fellow clubs to manage by themselves. That said, we must continue to be involved in discussions which could result in the reorganisation of the *European football environment and lead to greater stability for Scottish clubs, large and small. We owe nothing less* to both our shareholders and supporters and to Scottish football generally.

Fergus McCann resigned as a director of Celtic in October 1999. This followed five years as Chairman and Managing Director, a period in which he was the driving force in revitalising the Club, overseeing the redevelopment of Celtic Park and ensuring a solid financial foundation from which to progress. Fergus McCann's contribution to the rebirth of Celtic was monumental and he will forever be a key part of Celtic's history. Frank O'Callaghan resigned as non-executive Chairman on 1 June 2000. Frank worked extremely hard over the term of his appointment and assisted greatly with the widening of Celtic's shareholder base at the time of the disposal of Fergus McCann's majority shareholding. On behalf of my fellow directors, shareholders and supporters, I would like to record officially my thanks to both Fergus and Frank for their significant contribution.

**Brian Quinn CBE**  
Chairman

10 August 2000



# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

The Company's overall trading performance during the financial year ended 30 June 2000 was disappointing with profit from operations at £4.68m in comparison to £6.75m last year. Nonetheless, a 14% increase in turnover was achieved, largely via strong growth in multimedia and merchandising. Significantly, substantial investment continued in the development of the core professional football operation as the key business priority. This investment inevitably brought with it increases in football operating expenses, increased levels of player amortisation and exceptional costs associated with addressing football management requirements. In years preceding, significant investments in the physical assets of the business were necessary both to meet mandatory requirements and to expand the capacity of the stadium.

*The business was reorganised during the course of the year in accordance with a broad strategic plan. Five business operations were introduced with the Professional Football operation at the core. The other operations are Youth Development, Multimedia and Communications, Merchandising and Stadium Enterprises. Each business operation has a planning, performance, revenue and cost dimension. The reorganisation provides focus on development planning, clear management accountability and improved financial control.*

### REVIEW

#### PROFESSIONAL FOOTBALL

Last year the Club embarked upon a long-term strategy to re-establish Celtic as a major football force in Europe. In pursuit of this aim, first team capital expenditure totalled £14.72 million and actions were also taken to retain and extend the contracts of players capable of making valuable contributions to the success of the Club during future seasons.

*Investment in football management is seen as the other major contributor to achievement of the strategy. In this regard, a new football management structure was created within which the roles of Director of Football Operations and Head Coach were defined as the key ones. A new management team was recruited into these respective posts and set about the task of starting to bridge the gap between Celtic and its domestic and European competitors. The results were disappointing. Nonetheless, the policy of creating a strong football management in order to achieve playing success is fundamentally correct.*

Professional football labour costs rose to £15.17 million over the financial year. This level of expenditure remains well below the proportion of turnover spent on football staff remuneration by other major British clubs and well within the professional football revenues of £19.81 million.

The highlight of the season was winning the CIS League Cup. The Club again qualified for the UEFA Cup competition for the season 2000/01 although overall league performance did not meet expectations.

*A good start to the season came to an abrupt end in a UEFA Cup tie against Olympique Lyonnais in October when Swedish international striker, Henrik Larsson, broke his left leg. This ended his active involvement with the team for the remainder of the season and his absence from crucial domestic league matches turned out to be an insuperable handicap to SPL Championship success.*

Poor league performances immediately after the mid-season break were followed by a defeat by Inverness Caledonian Thistle in the Scottish Cup. There had been mounting evidence that the football management team was unlikely to deliver levels of performance in keeping with the Club's aspirations. Timely and decisive action was essential.

*Head Coach, John Barnes, and Assistant Head Coach, Eric Black, were dismissed on 10 February 2000, two days after the team's Scottish Cup defeat. Chief Scout, Terry McDermott, left the Club by mutual agreement. Director of Football Operations, Kenny Dalglish, immediately took direct control of the First Team Squad and former Celtic Manager, Tommy Burns, re-joined the Club on a temporary contract as Coaching Assistant.*

Towards the end of March, Kenny Dalglish intimated that he did not wish to operate in a "front line" Football Management role beyond the end of the season. His contract was terminated on 29 June 2000.

Martin O'Neill was appointed Football Manager with responsibility for all football matters on 1 June 2000. The recruitment of an individual of such high stature within the game is clear evidence that short-term difficulties will not deflect Celtic from its footballing ambitions.

Celtic again sold substantially more season tickets (53,397) than any other British club. All categories of season ticket sales, match day ticket sales and the sale of match day corporate and executive hospitality facilities are the principal sources of revenue from the professional football operation. Despite a reduction in home attendances, aggregate revenue of £19.81 million from these sources was 2.0% higher than the previous financial year.

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

### YOUTH DEVELOPMENT

The Board recognises that this year, as a result of the focus on first team investment and development, the implementation of youth development plans and initiatives has not progressed at the pace previously envisaged. Nonetheless, a number of positive developments took place during the year and youth development is identified as a clear and high priority moving forward.

For the under 21 team, the opportunity to play 'home' matches at Livingston's Almondvale Stadium was secured in order to give the players early experience of playing on a top class surface within a stadium environment. This plays a valuable part in the progression of youth players to the stage where they are able to cope with all aspects of first team matches. The Club is grateful to Livingston FC for affording the under 21 team this opportunity and is pleased to have been able to extend this agreement.

For Celtic's youth set up the Company has secured access within a 25 mile radius of the stadium to training facilities including a full size all weather training pitch and a number of other pitches. This integrated, secure and more consistent arrangement offers significant benefit over previous operations from leased and shared facilities. It will be available from the start of the season and the tenure of the arrangement is flexible in order to tie in with the development of the new Youth Academy.

A comprehensive structure for the professional development of young players from 8-18 years of age is now in place and this is bearing fruit. The under 18 team won its respective Scottish League Championship and eleven youth players made their first team debut in season 1999/00. A number of impressive first team performances culminated in the 2-0 victory over Dundee United on the last game of the season in which eight youth team players took part.

The youth players also gained substantial recognition at international level. Twenty one players under 21 years of age made their youth international debut. In all, seven players debuted at under 16 level, four at under 17, seven at under 18, and three at under 21. In addition, Mark Burchill, age 19, made his full international debut.

In addition to internal development, the club has also captured a number of players who were attracting interest from the very top clubs in England, halting the recent trend of Scotland's best young players heading South.

### MULTIMEDIA AND COMMUNICATIONS

This business operation encompasses broadcasting, publishing, sponsorship and advertising activities. The combined turnover in the year was £9.23 million, reflecting a 46.3% increase over the equivalent figure of £6.31 million in the previous year of trading. This reflects a greater realisation of the inherent value of the Company's Intellectual Property and an improved appreciation of the strength of the Celtic brand.

Broadcasting and publishing revenues rose by 25.0% to £5.33 million. The increase was achieved by securing greater value for the Club's involvement in European competition, from a substantial growth in SPL overseas television rights sales and through the introduction of beambacks. The lack of on-field success reduced the number of televised appearances in comparison to the previous season, with a concomitant reduction in domestic league and cup revenues.

Sponsorship and advertising revenues grew by 90.9% to £3.90 million. Revenue from the first year of Celtic's four-year deal with shirt sponsor ntl and the renewal for a further five years of a 25-year association with kit sponsor, Umbro were the major contributors to this growth. The first Internet advertising revenues were achieved during the period.

During the year, the only significant cost increase was related to investment in broadcast capability with the introduction of a home match-day programme, away match beambacks and audio webcasts.

### MERCHANDISING

Merchandising revenues continued the strong growth trend of recent years, against the industry norm. Total revenues of £5.65 million in the year reflect a 46.7% increase over the previous period's figure of £3.85 million.

The period saw continued implementation of the outlet expansion strategy. A new retail unit in Belfast was opened in November, creating Celtic's first official retail presence in Northern Ireland. This was followed in May with the launch of another in Derry. In Scotland, one of the Glasgow stores was refurbished and concession partnerships with BHS were developed, enhancing wholesale revenues.

*Growth in branded leisurewear sales increased significantly due to the widening range and quality of fashion products offered. Once again, these sales increased as a proportion of total merchandising income. This income stream is less sensitive to football performance.*

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

The successful re-launch of the home kit in October, together with the exceptional performance of the away kit, which was launched in May 2000, provided the backbone of retail growth. The re-launched home kit sold more units in three months than the previous home kit sold in two years. Sales in the first eight weeks of the new away kit exceeded total sales in the product life of any previous away kit.

The fledgling e-commerce business exceeded expectations by more than tripling revenues from the previous period. An increase in the range of licensed Celtic products ensured a significant rise in royalty revenues.

The expansion of the merchandising operation and the recruitment of specialised staff over the last two years has improved purchasing power and increased efficiencies providing a beneficial impact on margins.

### STADIUM ENTERPRISES

This business area contains revenues generated both on a match day and at other times of the week which were down on 1999 levels by £320,000 (10.2%). Matchday revenues are derived from income from catering for corporate and executive clients including investor and business class customers in the various suites and lounges and from other supporter purchases at the stadium snack bars and on-site betting facilities. Catering related non-matchday revenues come from restaurant activities, function suite hires and Celtic produced events. Other non-matchday revenue comes from stadium security, event management and stadium hire.

Match day catering achieved an increase in spend per head in the year, following implementation of a business process review. This improvement counteracted the effects of a 17.6% decline in match attendance towards the end of the season. Despite this shortfall in attendance, overall match day catering revenues for the year matched the previous year's figure of £1.47 million.

Revenues from non-matchday catering activities are also sensitive to team performance and the decline in the team's fortunes was mirrored by a downturn in sales towards the end of the season. Nonetheless turnover still exceeded £1million for the year, although this represented a 5.8% decrease from the previous period.

Event management activities, primarily external stewarding contracts exhibited a 12.7% growth during the year which partially offset a drop in stadium hire revenue. In the previous year Celtic Park successfully hosted three neutral cup matches and an international fixture but the reopening of the national stadium effectively removed such opportunities this year.

The main costs incurred by stadium enterprises relate to food, bar and labour costs. The associated gross margins have been maintained.

### OUTLOOK

#### PROFESSIONAL FOOTBALL

It is clear, both from a "top down" and "bottom up" review of the status of the Club's professional football operation, that further substantial investment and higher levels of expenditure on player acquisition and remuneration and on coaching, training and scouting facilities, resources and personnel are essential.

In particular, the Club must maintain the forward momentum that it has initiated over the past year with respect to bridging the major gap which exists between the capital value of Celtic's first team squad and those of other leading clubs in the United Kingdom and elsewhere in Europe.

Substantial steps are also now being taken to improve the first team facilities. In this connection, a lease has been secured on the Westthorn recreation ground adjacent to the Club's existing training ground at Barrowfield. This additional land, together with the Barrowfield acreage, will accommodate five full-size training pitches, which will satisfy adequately the needs of both the first team and under 21 team squads. It is planned that these pitches and associated changing room facilities will be operational within the next 18 months.

In order to meet the full running cost of the professional football operation from income directly related to professional football activities, higher season and match day ticket revenues are needed to fund a successful team. The season and match day ticket prices currently charged by Celtic for "Standard", "Family", "Corporate" and "Executive" seats are very substantially lower than those charged by other major British clubs. Whilst it is intended to continue to set ticket prices at levels which take account of the financial means of the various categories of supporters of the Club, it is proposed to effect price increases across all season ticket categories commencing in the 2001/02 season.

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

Celtic has been fully engaged in and is well positioned to benefit from the creation of a new European football environment offering the prospect of more attractive matches. The Club will continue to play a progressive and constructive role, within the established football governance institutions of which it is a member, in relation to current and proposed initiatives to reform the structure of European competition.

### YOUTH DEVELOPMENT

In recognition of the central importance of continued investment in an effective youth development programme, medium term plans are being progressed for the establishment of a Youth Academy. The Company's commitment to this is demonstrated by the Board approving the acquisition of and allocation of funds for an appropriately sized site in the East side of Glasgow. Specific sites have been short-listed and a final selection process is now underway. The planned Academy would contain coaching and training facilities to the standard of our top European competitors.

In the meantime, in an immediate move to monitor and assess the youth development within an environment more integral to the rest of the Club's football operations, the Company has secured control over a five-acre site in the East End. This will accommodate a match pitch meeting Celtic's professional criteria for the youth teams.

The launch of the proposed Celtic Development Appeal will offer a funding focus. Supporters and Celtic Supporters Associations and Affiliations will be provided the opportunity to raise funds in concert with the Celtic Development Appeal to help ensure that youth development progress is made in parallel with first team development.

### MULTIMEDIA AND COMMUNICATIONS

The addition by the SPL of a new 6 game live package with the BBC and a new 2-year contract for the sale of SPL international rights will generate more league funds for overall distribution. Additional success in the main domestic cup competitions would increase Celtic's share of existing funds. In the European arena, further progress in the UEFA Cup would build on the impressive broadcast revenue growth from last year. The two Champions League qualification slots now available to SPL clubs from season 2001/02 will provide enhanced revenue opportunities for Scottish clubs.

Celtic is an active participant in discussions over the size and structure of the new SPL television contract due for renewal in season 2002/03. Opportunities for growth here lie in a revenue distribution that more accurately reflects league performance, supporter base and media appeal and in the creation of new rights windows such as Pay Per View. PPV will offer a means of increasing live match availability to Celtic supporters.

The ntl and Umbro partnerships constitute the major part of sponsorship revenues. These agreements were structured with a fixed pricing commitment remaining in place throughout the agreements and further growth can occur through performance payments in the latter stages.

Celtic will invest in personnel, training and equipment to develop its core competence as a branded content producer. A new integrated news operation under the control of a professional news editor is being formed to direct the entirety of Celtic's content production. Traditional publishing revenues via the Club Magazine and match-day Programme are expected to benefit from this operational focus and also from improved audience interest on the back of football investment and success.

The Celtic brand has a broad national and international appeal and new media channels such as the Internet, mobile telephony, interactive and on-demand television and digital audio broadcasts provide the Company with an opportunity effectively to reach and target its audiences.

In the coming year more new media based information, entertainment and e-commerce services will be developed. An agreement has been reached with the SPL for all league matches to use live commentary feed from its radio broadcast partners within Celtic's matchday audio webcast programme. Other services such as exclusive interviews or player features, real time information bulletins and live streaming will also be offered. In the medium term, Celtic looks forward to the technical development of increased broadband capability coupled with the potential availability of more Internet match transmission rights.

The main short-term sources of new media revenue are most likely to be on-line advertising or sponsorship. In the longer term the Company expects significant direct consumer entertainment sales and Affinity Partnership revenues in combination with high quality brand name business to consumer companies.

The Company's policy is to self-finance its content generation as far as practicable and to embrace partnerships in non-core competence areas. Areas of potential partnership include distribution, marketing and technical services such as hosting, networking and live video streaming. In partnering, the Company will seek to protect at all times the long-term inherent value of its Intellectual Property.

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

### MERCHANDISING

The merchandising operations development strategy encompasses football specific brand development, non-football Celtic brand development, the improved penetration of international markets, improvements to ordering and distribution and the continuation of the outlet expansion programme. In many of these areas the Internet will play a progressively increasing role.

Non-football Celtic related brand development, targeting the Celtic Diaspora, will now be undertaken with the aim of extending beyond the traditional football fan market. This year, the introduction of an associated range of non-football Celtic branded products will supplement the football branded leisurewear range.

International penetration opportunities lie in those areas such as North America and Australasia which have a large Celtic football following or population clusters of Scottish and Irish origin. Celtic's association with Umbro, which has a strong presence in North America, also offers marketing, manufacturing and distribution opportunities. The use of the Internet to market to these customers and facilitate ordering and fulfilment is a key part of this approach.

The ongoing outlet and concession expansion programme continues with two new developments planned for Scotland.

### STADIUM ENTERPRISES

The main short-term objective is to drive up the non-matchday sales and where practical, to increase margin whilst maintaining service levels. To achieve this goal, Celtic outsourced its catering operation to Sodexo, an international event caterer.

The key to unlocking future revenue streams within this business operation lies in increasing utilisation of stadium space and in improving the surrounding environment, making Celtic Park and its environs an enjoyable and entertaining place to visit. A detailed plan has been prepared to achieve this aim. The first phase covers development of existing facilities within the stadium and securing the perimeter surrounding Celtic Park whilst phase two encompasses the provision of additional supporter facilities and car parking within the secured concourse. The final phase involves the Company's participation in the regeneration of the Dalmarnock area and Celtic remains committed to working with Glasgow City Council and all other interested parties.

Resources will also be devoted to the further expansion of the stewarding and security business. It is also planned to seek a partnership with a recognised venue promoter to establish Celtic Park firmly as a host venue for concerts, sporting events, conferences and other stadium hires.

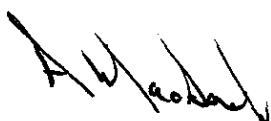
### CONCLUSION

In summary, the challenge for Celtic in the new Millennium is as follows: to develop and sustain the core professional football operation at an affordable level in order to improve the Club's competitiveness in the domestic and European football arenas; to increase continually the quantity and quality of home-grown football talent via progressive and effective youth development facilities and resources; and to grow the related businesses of multimedia and communications, merchandising and stadium enterprises, generating strong revenue streams and margins in each of these activities in order to fund ongoing investment requirements and increase shareholder value. These aims are inextricably linked. Football investment at both youth and senior level requires substantial funding support from successful ancillary businesses and these businesses require a successful team in order to achieve their full potential. The Company clearly recognises this strategic imperative and has structured its organisation and developed its business plans accordingly.

Ambitious business plans require dedicated and talented people to deliver them. At all levels of the organisation, my colleagues at Celtic Park have displayed these qualities in abundance over the last year and I would like to express my gratitude for their exceptional contribution.

Allan MacDonald OBE  
Chief Executive

10 August 2000



# Celtic plc

## FINANCIAL DIRECTOR'S REPORT

### ACCOUNTING POLICIES

Details of the main accounting policies adopted by the Group are disclosed in note 1 to the accounts and are consistent with last year save that depreciation is now being provided on buildings in accordance with Financial Reporting Standard No 15. The charge for the current year for those buildings with a useful life of up to 50 years is £21,000. An impairment review has been undertaken in respect of those buildings whose expected life is greater than 50 years and no provision is deemed necessary.

### FINANCIAL RESULTS

Turnover increased by 14.0% to £38.58m continuing the upward trend of previous years, despite a disappointing year in terms of footballing performance. Operating expenses rose by 25.2% to £33.90m, predominantly due to increased labour costs. Profit from operations before exceptional operating expenses was £4.68m compared to £6.75m last year.

Exceptional operating expenses of £1.63m were incurred. The net loss for the year after exceptional costs, amortisation of intangible fixed assets, loss on disposal of intangible fixed assets, interest and tax amounted to £5.98m in comparison to a profit of £550,000 in 1999. A preference dividend of £599,000 falls to be paid, which provides a retained loss for the year of £6.58m (1999: £17,000 profit).

### TURNOVER

A summary of turnover per business operation is set out in note 2 to the accounts and a detailed analysis of the performance of each operation is noted per the Chief Executive's Review on pages 7 to 11.

As last year, 26 home matches were played in the season and thus it is encouraging that turnover has increased by £4.74m to £38.58m. Significant increases in revenues were achieved in multimedia and communications (46.3%) and merchandising (46.7%). Revenues from professional football also reported growth of 2.0% over 1999 levels. Turnover from stadium enterprises and youth development was down on 1999 levels.

The lack of on-field success restricted turnover particularly in the second half of the financial year when match attendances and general levels of interest were lower. It is very evident from the year just ended that revenue generation is closely related to football success.

### OPERATING EXPENSES

Operating expenses rose by £6.82m to £33.90m representing a 25.2% increase in the year. This uplift was predominantly due to an increase in labour costs of £5.66m. Total labour costs rose by 39.0% to £20.17m. Professional football and youth development represented £5.22m of this increase which is an uplift of 48.2% over the previous year. The increased costs are, in the main, directly related to the implementation of the plan to develop the professional football operation. The Board instigated significant changes in the football operations management team and made a substantial investment in the first team playing squad which increased the base salary costs. New extended contracts awarded to key players such as Larsson, Lambert, McNamara, Moravcik and Mahe generated further increases in costs which were exacerbated by the necessary exceptional action in response to long-term injuries to key players. However, with total labour costs representing 52.3% of turnover Celtic appreciates the need to maintain strict control in an area that continues to cause concern throughout the football industry. In pursuing our investment strategy to sign quality football players, the level of player salaries will continue to increase. Ongoing tight financial controls are necessary to ensure wage levels are maintained at a manageable level.

Other operating expenses increased in line with the increase in trading activity with no significant variations reported.

### EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £1.63m reflect termination payments and provisions in respect of former employees, principally in relation to the football management structure.

### AMORTISATION OF INTANGIBLE FIXED ASSETS

The on-going strengthening of the first team squad and football operation reflected by the increased investment in the year of £16.07m less the cost of disposals of £8.61m has resulted in an increase in the total amortisation costs by £1.12m, an increase of 18.4% over the previous year.

# Celtic plc

## FINANCIAL DIRECTOR'S REPORT

### NET LOSS ON SALE OF INTANGIBLE FIXED ASSETS

The net loss on sale of intangible fixed assets of £981,000 includes the disposal of Craig Burley, Harald Brattbakk and Enrico Annoni together with the crystallisation of contingent transfer clauses on various players from previous years. The loss on sale also includes all costs in respect of the unfortunate premature termination of Marc Rieper's registration and employment contract.

### TANGIBLE FIXED ASSETS

The additions to tangible fixed assets in the year of £4.11m represents mainly the installation of the LSV Screens, together with the fit out costs of the new sports science centre, incorporating a high quality players' gymnasium. In addition, a new coach park was created at Celtic Park and new retail units were opened in Belfast and Derry.

### INTANGIBLE FIXED ASSETS

The increase in the net book value of intangible assets from 30 June 1999 of £5.50m reflects the increased investment in the playing squad and football operation of £16.07m less the net book value of disposals of £3.37m and the amortisation charge of £7.20m.

### STOCK

The increase in stocks of £424,000 compared to 30 June 1999 is principally a result of increased stockholding of the new away kit launched in May 2000 and the opening of the new retail outlets in Belfast and Derry.

### DEBTORS

The increase in the level of debtors at 30 June 2000 is primarily a result of an increase in the amounts receivable in instalments in respect of the sale of intangible fixed assets. As at 30 June 2000 this amounted to £1,020,000 (1999 - £381,000). The timing of the receipt of other income, primarily the UEFA income and television and radio income, was advanced from 1999 and accordingly resulted in a reduction in accrued income at 30 June 2000.

### CREDITORS DUE WITHIN ONE YEAR

The increase in creditors from 30 June 1999, largely reflects the increased level of trade creditors and accruals regarding amounts payable in instalments in respect of the acquisition of player registrations at 30 June 2000, which total £4.29m compared to £700,000 at 30 June 1999. Furthermore, accruals in respect of termination payments totalled £1.19m compared to nil at 30 June 1999.

### CREDITORS DUE AFTER MORE THAN ONE YEAR

The increase in creditors due after more than one year from 30 June 1999 reflects the drawdown of a bank loan of £14.0m, of which £5.0m was refinancing an existing loan facility, and a hire purchase commitment of £1.06m.

### FUNDING

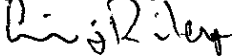
At 30 June 2000, the Company's net debt was £14.50m which was well within the unsecured bank facility agreed in May 2000 comprising of overdraft of £10.50m together with term loans of £21.0m, of which £6.40m is repayable in equal quarterly instalments from October 2009 until April 2019 and £14.60m is repayable in July 2019.

### SHAREHOLDING

During the year the Company assisted Fergus McCann in the disposal of his majority shareholding. The Company now has approximately 17,000 shareholders providing a broad and stable ownership base.

### OUTLOOK

The company is suitably positioned with prospects of expansion in various areas of its business. However the biggest challenge facing your Board is the management of salary and transfer costs whilst achieving playing success in order to yield satisfactory financial return.



Eric J Riley  
Financial Director

10 August 2000

# Celtic plc

## DIRECTOR'S REPORT

The directors are pleased to present their report together with the accounts for the year ended 30 June 2000.

### PRINCIPAL ACTIVITY

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

### RESULTS AND DIVIDENDS

Turnover has increased by 14.0% from £33.84m in 1999 to £38.58m in 2000. Operating costs have risen by 25.2%, resulting in profit from operations reducing by 30.8% to £4.68m (1999: £6.75m). The net loss for the year after exceptional costs, amortisation of intangible fixed assets, loss on disposal of intangible fixed assets and interest but before tax amounted to £5.98m (1999: £550,000 profit). The preference dividend of 6% (inclusive of tax credit) will be paid on 31 August 2000 to those shareholders on the register at 11 August 2000. The directors do not recommend the payment of an ordinary dividend. The retained loss for the year has been taken to reserves.

### BUSINESS REVIEW

A review of the Group's business and operational activities is contained within the Chairman's Statement, Chief Executive's Review and Financial Director's Report.

### EVENTS SINCE THE YEAR END

Chris Sutton, the English international striker, registered with Celtic on 10 July 2000 and on 17 July 2000 the registration of Mark Viduka was transferred to Leeds United. Also registered with Celtic since the end of the year was Belgian international defender Joos Valgaeren.

### DIRECTORS AND THEIR INTERESTS IN THE COMPANY'S SHARE CAPITAL

The directors serving throughout the year and at 30 June 2000 (unless otherwise indicated) and their interests in the ordinary shares and preference shares of the Company were as follows:

Name	30 June 2000		1 July 1999	
	No. of Ordinary Shares of 1p each	No. of Preference Shares of 60p each	No. of Ordinary Shares of 1p each	No. of Preference Shares of 60p each
Brian Quinn CBE	7,350	7,775	5,000	7,775
Allan MacDonald OBE	109,286	12,500	12,500	12,500
Eric J Riley	5,000	5,000	5,000	5,000
Kevin Sweeney	-	5,500	-	5,500
Dermot F Desmond	4,273,770	5,131,300	1,439,300	5,131,300
Sir Patrick Sheehy	13,000	-	10,000	-

Fergus McCann resigned as a director on 8 October 1999. On 1 July 1999, Mr McCann owned 14,600,000 ordinary shares of 1p each.

Frank O'Callaghan resigned as a director on 1 June 2000. On 1 July 1999, Mr O'Callaghan owned 80,000 preference shares of 60p each.

There were no changes in the holdings of the directors notified to the Company between 30 June and 10 August 2000.

# Celtic plc

## DIRECTOR'S REPORT

Brief biographical details of the directors are as follows:

**Brian Quinn CBE** has been a director of the Company since March 1996 and assumed the role of non-executive Chairman on 1 June 2000. Formerly Senior Executive Director at the Bank of England, Mr Quinn has extensive experience in international finance and economics. He was until recently non-executive Chairman of Nomura Bank International plc and is a non-executive director of Bankgesellschaft Berlin (UK) plc and Britannic 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.

**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 and he 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.

**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 since April 1998 and was a director of the Scottish Football Association Limited from June 1996 until May 1999.

**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 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 and of Quay Financial Software. Mr Desmond is Chairman of the Remuneration Committee.

**Sir Patrick Sheehy** has been a director of the Company since March 1996. He was 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 Audit and Nomination Committees.

**Kevin Sweeney** has been a non-executive director of the Company since July 1998. Since January 2000 Mr Sweeney has undertaken certain temporary executive responsibilities, specifically as Company Secretary and in relation to legal matters. Mr Sweeney was until recently the senior partner in the corporate unit of solicitors, McGrigor Donald, and is also a Chartered Accountant. He is the former solicitor to the Scottish Football Association and is currently the legal adviser to the Accounting Standards Board.

It is the policy 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, Sir Patrick Sheehy and Kevin Sweeney retire by rotation and, being eligible, offer themselves for re-appointment. The directors, in accordance with the Articles of Association, recommend that Sir Patrick Sheehy and Mr Sweeney be re-appointed.

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

# Celtic plc

## DIRECTOR'S REPORT

### SUBSTANTIAL INTERESTS

In addition to the directors' interests set out above, the Company has been notified of the following interests in over 3% of its issued share capital as at 10 August 2000:

	Ordinary Shares of 1p each	Percentage of Ordinary Issued Share Capital
John S Keane	1,808,080	6.18%
FMR Corp*	1,819,566	6.22%

\*Shares are held on behalf of its direct and indirect subsidiaries, Fidelity Management Research Company (FMR Co) and Fidelity Investments Limited (FIL).

### DONATIONS

The total amount of charitable donations made by the Company during the year was £10,352 (1999 - £287,511). Details of the charitable activities of Celtic and the charitable donations made by Celtic Charity Fund during the year are narrated on page 36.

### CREDITORS PAYMENT POLICY

It is the Group'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 Group by its suppliers in the year and the amounts owed to its trade creditors at the end of the year was 31 days.

### GENERAL GROUP POLICY

Within the limits of confidentiality, staff at all levels are kept informed of matters which affect the progress of the Group and are of interest to them as employees. The Heads of the Company's various business divisions meet on a regular basis with the Executive Directors to discuss operational and other issues of the Company. The objective is to achieve a common awareness of the operational, financial and economic factors affecting the Group's performance. To encourage the involvement of employees in the Group'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.

### THE INTRODUCTION OF THE EURO

Currently the majority of the Group's business is carried out within the UK which remains outwith EMU. HM Government has indicated that any 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 Group 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 Group 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 Group's policy, where practical, to provide continuing employment under similar terms and conditions and to provide training and career development.


### HEALTH AND SAFETY

The Group implements strict health and safety regulations. Specifically, it complies with the requirements of the Green Guide to Safety at Sports Grounds (4<sup>th</sup> 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, 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

  
Kevin Sweeney, Secretary  
Celtic Park, Glasgow, G40 3RE

10 August 2000

# 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 has now achieved full compliance with the provisions of the Combined Code, it did not fully comply for the entire financial period of the year ended 30 June 2000. In the case of non-compliance, the Company has reviewed its procedures, amended these as appropriate, to ensure complete compliance.

The instance of non-compliance for a proportion of the year ended 30 June 2000 was as follows:

- The Board prepared and has adopted as Board policy with effect from 2 December 1999 a formal schedule of matters which are reserved to the Board for decision.

The Company has adopted the transitional approach for the internal control aspects of the Combined Code as set out in the letter from the London Stock Exchange dated 27 September 1999.

### **BOARD OF DIRECTORS**

The Board of directors comprises a non-executive chairman, two non-executive directors and three 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 Group's long term strategy and policy. In addition the Board monitors the Group's performance and that of its executive management. The Board meets and transacts business on a formal basis 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 Group strategy. Key operational decisions, including planning, safety and appointment of advisers are subject to Board approval. Financial policies and budgets, including major capital expenditure, are approved and monitored by the Board.

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 as detailed on page 4. 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 19 and 20.

### **THE AUDIT COMMITTEE**

This committee was established in August 1996. It has formal written terms of reference. It reviews the Group'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 as detailed on page 4.

### **THE NOMINATION COMMITTEE**

This committee was established in July 1998. It has formal written terms of reference. It considers 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 as indicated on page 4. Executive search consultants are used by the committee where necessary to assist this process.

# Celtic plc

## CORPORATE GOVERNANCE

### INVESTOR COMMUNICATION

The Company maintains open dialogue with its investors by means of regular presentations including its interim and final results. 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

#### Internal Control

The Combined Code introduced the requirement that the directors' review should be extended to cover not only internal financial control, but all controls including operations, compliance and risk management. As previously stated, the Board has adopted the transitional approach for the Combined Code as set out in the letter from the London Stock Exchange to listed companies dated 27 September 1999.

#### Wider Aspects of Internal Control

The Board confirms that it has established the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code". The procedures necessary to implement the guidance were in place by 30 June 2000. Additional procedures which were put in place by 30 June 2000 include holding risk management workshops, together with prioritising the group's objectives and risks and determining a control strategy for each of the significant risks. The monthly management information has been improved with the addition of some key risk indicators.

The Board has changed its meeting calendar and agenda so that risk management and internal control will be considered on a regular basis during the year and there will be a full risk and control assessment before reporting on the year ending 30 June 2001.

#### Internal Financial Control

The Board of directors has ultimate responsibility for ensuring that a balanced and understandable assessment of the Group'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 Group's competitive position.

The Board has overall responsibility for the Group'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 assets of the Company and the Group 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 Group'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 Board has conducted a review of the effectiveness of the system of internal financial control for the year ended 30 June 2000 and has taken account of material developments which have taken place since the year end. The review was performed on the basis of the criteria set out in the Guidance for Directors 'Internal Control and Financial Reporting' issued in December 1994.

### 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, Dermot F Desmond (Chairman), Brian Quinn CBE and Sir Patrick Sheehy.

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	2000 Total	1999 Total
	£	£	£	£	£	£
B Quinn	16,250	-	-	-	16,250	15,000
A MacDonald	150,000	-	12,724	15,000	177,724	50,000
E J Riley	86,000	31,200	9,627	8,600	135,427	125,916
K Sweeney	27,500	-	-	-	27,500	15,000
D F Desmond	15,000	-	-	-	15,000	15,000
Sir Patrick Sheehy	15,000	-	-	-	15,000	15,000
F O'Callaghan (resigned 1 June 2000)	27,500	-	-	-	27,500	12,500
F J McCann (resigned 8 October 1999)	-	-	-	-	-	64,790
	337,250	31,200	22,351	23,600	414,401	313,206

Included in the above figures are fees of £35,000 paid to third parties in respect of the provision of services of non-executive directors.

The bonus payment to Mr Riley includes £14,000 for additional temporary responsibilities undertaken during the year.

Mr MacDonald waived his entitlement to any bonus provision, which the Remuneration Committee subsequently assessed at £40,000. He was also awarded an ex gratia payment in connection with the successful disposal of Fergus McCann's shares of £20,000. Thereafter, Mr MacDonald has requested the Company to award equivalent amounts to Youth Development.

### REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

#### Base Salary

The Committee sets base salary annually for each executive director by reference to responsibilities and to comparable external market data provided by external consultants.

#### Annual Performance - Related Bonus

Executive directors, other than Mr Sweeney, participate in the Company's performance related bonus scheme. The scheme focuses on corporate and business 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, other than Mr Sweeney, and certain senior managers.

During the year to 30 June 2000 Mr Riley exercised options over 125,000 ordinary shares of 1p each, which were granted on 19 January 1995 under the Celtic plc Executive Share Option Scheme. The options were exercised at a price of 64p per share.

At 30 June 2000 no director had been granted options under the Celtic plc Executive Share Option Scheme which remained exercisable. A resolution is being proposed at the AGM of the Company to amend the rules of the Celtic plc Executive Share Option Scheme.

# Celtic plc

## REPORT OF THE REMUNERATION COMMITTEE

### **Pension**

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

### **EMPLOYMENT TERMS**

Executive directors' employment, other than Mr Sweeney, 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 twelve months.

### **OTHER BENEFITS**

Executive directors, other than Mr Sweeney, 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.

### **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 during the year will be available to answer questions concerning directors' remuneration at the Company's Annual General Meeting.*

### **ON BEHALF OF THE REMUNERATION COMMITTEE**

**Dermot F Desmond**  
**Chairman**

**10 August 2000**



# 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

	2000 £000	1999 £000	1998 £000	1997 £000	1996 £000
<b>FINANCIAL</b>					
TURNOVER	38,579	33,840	27,821	22,189	16,005
PROFIT FROM OPERATIONS	4,676	6,754	5,094	5,899	2,735
(LOSS)/PROFIT AFTER TAXATION	(5,985)	550	7,101	5,152	(1,013)
DIVIDENDS	599	533	533	533	-
SHARES IN ISSUE ('000)	47,750	47,500	475	475	475
(LOSS)/EARNINGS PER ORDINARY SHARE	(22.60p)	0.06p	22.65p	15.93p	(3.49p)
DILUTED (LOSS)/EARNINGS PER SHARE	(12.57p)	1.16p	14.90p	10.83p	(2.24p)
NET ASSETS	36,168	42,592	42,575	36,007	31,388
NUMBER OF EMPLOYEES	444	424	375	320	288
<b>FOOTBALL</b>					
LEAGUE POSITION	2	2	1	2	2
LEAGUE POINTS	69	68	74	75	83
SCOTTISH CUP	THIRD ROUND	FINAL	SEMI FINAL	SEMI FINAL	SEMI FINAL
LEAGUE CUP	WINNERS	THIRD RD	WINNERS	FOURTH RD	FOURTH RD
EUROPEAN TIES PLAYED	3	4	3	2	2
<b>CELTIC PARK</b>					
STADIUM INVESTMENT TO DATE (£000)	51,632	49,661	46,764	37,011	34,690
STADIUM SEATING CAPACITY	60,506	60,506	50,552	50,552	37,944
AVERAGE PAID HOME ATTENDANCE	55,080	56,223	46,415	46,317	33,225
SEASON TICKET SALES	53,397	53,388	42,322	40,529	29,370

# AUDITORS' REPORT TO THE SHAREHOLDERS OF **Celtic plc**

We have audited the financial statements on pages 23 to 35 which have been prepared on the basis of the accounting policies set out on page 27.

## **Respective responsibilities of directors and auditors**

As described on page 21, 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 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 Group is not disclosed.

We review whether the statements on pages 17 and 18 reflect the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority and we report if they do not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and controls procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, 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.

## **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.

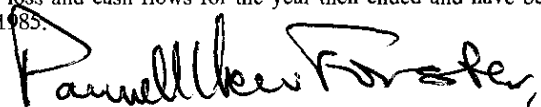
## **Opinion**

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 2000 and of the loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Pannell Kerr Forster**

Registered Auditors  
GLASGOW

10 August 2000



# Celtic plc

## GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2000

	2000	1999
Note	£000	£000
<b>TURNOVER</b>	2	33,840
<b>OPERATING EXPENSES</b>	3	(27,086)
<b>PROFIT FROM OPERATIONS</b>	4,676	6,754
<b>EXCEPTIONAL OPERATING EXPENSES</b>	4	-
<b>PROFIT FROM OPERATIONS AFTER EXCEPTIONAL OPERATING EXPENSES</b>	3,047	6,754
<b>AMORTISATION OF INTANGIBLE FIXED ASSETS</b>	13	(6,088)
<b>NET (LOSS)/GAIN ON SALE OF INTANGIBLE FIXED ASSETS</b>	13	347
<b>OPERATING (LOSS)/PROFIT</b>	(5,137)	1,013
<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	8	(463)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	(5,985)	550
<b>TAX ON ORDINARY ACTIVITIES</b>	9	-
<b>(LOSS)/PROFIT FOR THE YEAR</b>	(5,985)	550
<b>PREFERENCE DIVIDEND</b>	10	(533)
<b>RETAINED (LOSS)/PROFIT FOR THE YEAR</b>	21	17
<b>(LOSS)/EARNINGS PER ORDINARY SHARE</b>	11	0.06p
<b>DILUTED (LOSS)/EARNINGS PER SHARE</b>	11	1.16p

All amounts relate to continuing operations.

There were no gains or losses recognised in 2000 other than the loss for the year.

# Celtic plc

## GROUP BALANCE SHEET

30 JUNE 2000

	Note	2000		1999	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	12		46,753		43,773
Intangible assets	13		19,039		13,538
			<u>65,792</u>		<u>57,311</u>
<b>CURRENT ASSETS</b>					
Stocks	15	956		532	
Debtors	16	4,065		3,556	
Cash at bank and in hand		1,175		1,645	
		<u>6,196</u>		<u>5,733</u>	
<b>CREDITORS - Amounts falling due within one year</b>					
Income deferred less than one year	17	(12,315)		(7,148)	
	18	(8,333)		(8,525)	
		<u>(20,648)</u>		<u>(15,673)</u>	
<b>NET CURRENT LIABILITIES</b>					
			<u>(14,452)</u>		<u>(9,940)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			51,340		47,371
<b>CREDITORS - Amounts falling due after more than one year</b>					
	19		(15,172)		(4,779)
<b>NET ASSETS</b>					
			<u>36,168</u>		<u>42,592</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital (includes non-equity)	20		11,392		11,390
Share premium	21		17,519		17,361
Profit and loss account	21		7,257		13,841
<b>SHAREHOLDERS' FUNDS</b>					
	22		<u>36,168</u>		<u>42,592</u>

Approved by the Board on 10 August 2000

Allan MacDonald



Director

Eric J Riley



Director

# Celtic plc

## COMPANY BALANCE SHEET

30 JUNE 2000

	Note	2000		1999	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	12		46,753		43,773
Intangible assets	13		19,039		13,538
			<u>65,792</u>		<u>57,311</u>
<b>CURRENT ASSETS</b>					
Stocks	15	956		532	
Debtors	16	4,055		3,538	
Cash at bank and in hand		1,168		1,636	
		<u>6,179</u>		<u>5,706</u>	
<b>CREDITORS - Amounts falling due within one year</b>					
Income deferred less than one year	17	(12,704)		(7,429)	
	18	(8,333)		(8,525)	
		<u>(21,037)</u>		<u>(15,954)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(14,858)</u>		<u>(10,248)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>50,934</u>		<u>47,063</u>
<b>CREDITORS - Amounts falling due after more than one year</b>					
	19		<u>(15,172)</u>		<u>(4,779)</u>
<b>NET ASSETS</b>			<u>35,762</u>		<u>42,284</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital (includes non-equity)	20		11,392		11,390
Share premium	21		17,519		17,361
Profit and loss account	21		6,851		13,533
<b>SHAREHOLDERS' FUNDS</b>			<u>35,762</u>		<u>42,284</u>

Approved by the Board on 10 August 2000

Allan MacDonald

Director

Eric J Riley

Director

# Celtic plc

## GROUP CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2000

	2000 £000	1999 £000
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Operating (loss)/profit	(5,137)	1,013
Depreciation	1,128	974
Amortisation of intangible fixed assets	7,203	6,088
Net loss/(gain) on sale of intangible fixed assets	981	(347)
Grants release	(1)	(1)
Increase in stocks	(424)	(37)
Decrease/(increase) in debtors	102	(1,520)
Increase in creditors	1,270	1,707
<b>Net cash inflow from operating activities</b>	<b>5,122</b>	<b>7,877</b>
<b>CASH FLOW STATEMENT</b>		
Net cash inflow from operating activities	5,122	7,877
Returns on investments and servicing of finance (note 23)	(1,381)	(996)
Taxation paid	-	(139)
Capital expenditure and financial investment (note 23)	(12,961)	(8,250)
Cash outflow before financing	(9,220)	(1,508)
Financing (note 23)	8,750	4,909
<b>(Decrease)/increase in cash</b>	<b>(470)</b>	<b>3,401</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 24)</b>		
(Decrease)/increase in cash in the period	(470)	3,401
Cash inflow from increase in debt	(8,590)	(4,909)
Change in net debt resulting from cash flows	(9,060)	(1,508)
Non-cash movement – new hire purchase agreement	(1,768)	-
Movement in net debt in the period	(10,828)	(1,508)
Net debt at 1 July	(3,677)	(2,169)
<b>Net debt at 30 June</b>	<b>(14,505)</b>	<b>(3,677)</b>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

### 1 ACCOUNTING POLICIES

#### (a) Accounting convention

The financial statements set out on pages 23 to 35 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 2000.

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

Tangible fixed assets are written off over their estimated useful lives at the following annual rates:

Plant and vehicles	10% - 25%	reducing balance
Fixtures, fittings and equipment	10% - 33%	reducing balance
Buildings (excluding stadium)	2% - 10%	straight line

The football stadium is not depreciated within the financial statements. The directors are of the opinion that, having assessed the expected useful life of the asset, any annual charge for depreciation would be immaterial. The Group has adopted Financial Reporting Standard No.15 and will accordingly carry out an annual impairment review of the stadium.

Freehold land is not depreciated.

#### (d) Intangible fixed assets

Costs associated with the acquisition and retention of football personnel 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 or the Group.

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

#### (g) Leasing obligations and hire purchase

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

Assets acquired under hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the agreement on a straight line basis.

#### (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.*

#### (k) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the foreseeable future.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

### 2 TURNOVER

Turnover in respect of the five business operations comprised:

Professional football  
Multimedia and communications  
Merchandising  
Stadium enterprises  
Youth development

2000 £000	1999 £000
19,809	19,426
9,228	6,307
5,650	3,851
2,803	3,123
1,089	1,133
<u>38,579</u>	<u>33,840</u>

### 3 OPERATING EXPENSES

Operating expenses include the following charges:

Auditors' remuneration : audit fees  
: other fees  
: fees paid to associated companies  
Staff costs (Note 5)  
Depreciation (Note 12)  
Operating leases – land and buildings

2000 £000	1999 £000
20	20
17	49
31	18
20,167	14,503
1,128	974
115	54
<u></u>	<u></u>

### 4 EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses reflect amounts in respect of compensation and other costs associated with the termination of the employment contracts of former employees, principally within the football operation.

### 5 STAFF PARTICULARS

Wages and salaries  
Social security costs  
Other pension costs

2000 £000	1999 £000
17,604	12,867
2,002	1,258
561	378
<u>20,167</u>	<u>14,503</u>
Comprised, in respect of the business operations as follows:	
Professional football and youth development	16,035
Other business operations	4,132
	<u>3,687</u>
Average number employed in the year:	
Professional football and youth development	147
Other business operations	297
	<u>285</u>
<u>444</u>	<u>424</u>

### 6 DIRECTORS' EMOLUMENTS

Details of directors' emoluments are included within the Remuneration Committee Report on pages 19 and 20.

### 7 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 £88,399 (1999 - £92,218). Contributions of Nil (1999 - £11,191) were payable to the fund at the year end.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

### 8 INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges comprised:

On bank loans and overdrafts wholly repayable  
within five years  
Other loans  
On hire purchase contracts

2000 £000	1999 £000
245	273
553	190
50	-
<u>848</u>	<u>463</u>

### 9 TAX ON ORDINARY ACTIVITIES

UK corporation tax  
Effective rate of corporation tax  
Statutory rate of corporation tax

2000 £000	1999 £000
-	-
-	-
30%	30%

No provision for taxation is required in respect of the year ended 30 June 2000. Estimated tax losses available for set-off against future trading profits amount to approximately £11,500,000 (1999 - £4,000,000). 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 £599,000 (1999 - £532,800) reflects the dividend of 6% (inclusive of tax credit) payable on 31 August 2000 to those preference shareholders on the register at 11 August 2000.

### 11 EARNINGS PER SHARE

Earnings per share has been calculated by dividing the loss for the period by the weighted average number of ordinary shares (29.14 million) in issue during the year. Diluted earnings per share has been calculated by dividing the loss for the period by the total weighted average number of ordinary and preference shares (total 47.64 million) in issue during the year ended 30 June 2000 assuming the exercise of all outstanding share purchase options (see note 20).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

### 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 and Equipment £000	Total £000
<b>Cost</b>				
At 1 July 1999	35,827	716	10,835	47,378
Additions	473	2,137	1,498	4,108
<b>At 30 June 2000</b>	<b>36,300</b>	<b>2,853</b>	<b>12,333</b>	<b>51,486</b>
<b>Accumulated Depreciation</b>				
At 1 July 1999	-	339	3,266	3,605
Charge for year	21	129	978	1,128
<b>At 30 June 2000</b>	<b>21</b>	<b>468</b>	<b>4,244</b>	<b>4,733</b>
<b>Net Book Value</b>				
At 30 June 2000	<b>36,279</b>	<b>2,385</b>	<b>8,089</b>	<b>46,753</b>
At 30 June 1999	<b>35,827</b>	<b>377</b>	<b>7,569</b>	<b>43,773</b>

Freehold Land and Buildings are net of grants received of £2,999,000 (1999 - £2,999,000).

The net book value of plant and vehicles includes £1,703,000 (1999 - £Nil) in respect of assets held under hire purchase contracts. Depreciation charged on these assets in the year ended 30 June 2000 amounted to £65,000 (1999 - £Nil).

### 13 FIXED ASSETS - INTANGIBLE ASSETS

#### Group and Company

#### Cost

	2000 £000	1999 £000
At 1 July	26,592	22,334
Additions	16,070	6,058
Disposals	(8,609)	(1,800)
<b>At 30 June</b>	<b>34,053</b>	<b>26,592</b>

#### Amortisation

	2000 £000	1999 £000
At 1 July	13,054	7,893
Charge for year	7,203	6,088
Disposals	(5,243)	(927)
<b>At 30 June</b>	<b>15,014</b>	<b>13,054</b>

#### Net Book Value

	2000 £000	1999 £000
<b>At 30 June</b>	<b>19,039</b>	<b>13,538</b>

The net loss on sale of player registrations in the year was £981,000 (1999 - £347,000 gain). This includes all costs in respect of the unfortunate premature termination of Marc Rieper's registration and employment contract.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

### 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 2000.

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

Goods for resale  
Consumables

2000 £000	1999 £000
943	508
13	24
<u>956</u>	<u>532</u>

### 16 DEBTORS

Debtors comprised:

Trade debtors  
Advance corporation tax  
Other debtors  
Prepayments and accrued income

2000 Group £000	1999 Group £000	2000 Company £000	1999 Company £000
2,044	1,269	2,034	1,251
250	266	250	266
200	34	200	34
1,571	1,987	1,571	1,987
<u>4,065</u>	<u>3,556</u>	<u>4,055</u>	<u>3,538</u>

Included in trade debtors is an amount of £1,020,000 (1999 - £381,000) in respect of sums due from the sale of intangible fixed assets, all of which is due within one year.

Advance corporation tax of £250,000 is recoverable after one year.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

### 17 CREDITORS - amounts falling due within one year

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Creditors comprised:				
Loan instalments	27	422	27	422
Other loans	184	192	184	192
Trade creditors	4,765	1,029	4,763	1,026
Corporation tax	-	17	-	17
Other taxation and social security	2,094	2,054	2,094	2,054
Proposed preference dividend	599	533	599	533
Other creditors	593	527	593	527
Accruals	3,700	2,374	3,701	2,373
Due to subsidiary undertaking	-	-	390	285
Obligations under hire purchase agreements	353	-	353	-
	<u>12,315</u>	<u>7,148</u>	<u>12,704</u>	<u>7,429</u>

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

Included in trade creditors is an amount of £3,000,000 (1999 - £Nil) in respect of instalments due for the acquisition of player registrations.

The increase in accruals mainly reflects accrued exceptional operating expenses at 30 June 2000, together with accrued amounts in respect of intangible fixed assets of £1,290,000 (1999 - £700,000).

### 18 INCOME DEFERRED LESS THAN ONE YEAR

#### Group and Company

Deferred income

2000 £000	1999 £000
<u>8,333</u>	<u>8,525</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

#### Group and Company

Loan instalments

Accruals

Obligations under hire purchase agreements

2000 £000	1999 £000
14,054	4,708
56	71
<u>1,062</u>	-
<u>15,172</u>	<u>4,779</u>

#### Group and Company

The loan instalments which are unsecured are repayable in instalments as follows:

In one year or less

Between one and two years

Between two and five years

In more than five years

2000 £000	1999 £000
27	422
27	527
27	1,556
<u>14,000</u>	<u>2,625</u>
<u>14,081</u>	<u>5,130</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

### 19 CREDITORS - amounts falling due after more than one year (cont'd)

Loans repayable by instalments include bank loans of £14.0m. These loans bear interest at London Inter-Bank Offered Rate plus 1.125%. These loans represent £14.0m of a £21.0m facility, £6.40m of which is repayable in equal quarterly instalments from October 2009 until April 2019 and £14.60m is repayable in July 2019. The Company has the option to repay the loans earlier than these dates without penalty.

#### Group and Company

Obligations under the hire purchase contracts are repayable in instalments as follows:

In one year or less  
Between one and five years

2000	1999
£000	£000
353	-
<u>1,062</u>	<u>-</u>
<u>1,415</u>	<u>-</u>

The hire purchase creditor is secured over the asset concerned.

### 20 SHARE CAPITAL

#### Group and Company

##### Equity

Ordinary shares of 1p each

##### Non-equity

Convertible cumulative preference shares of 60p each

Authorised		Allotted, called up and fully paid			
2000	1999	2000	2000	1999	1999
No.'000	No.'000	No.'000	£000	No.'000	£000
29,500	29,500	29,250	292	29,000	290
<u>20,000</u>	<u>20,000</u>	<u>18,500</u>	<u>11,100</u>	<u>18,500</u>	<u>11,100</u>
<u>49,500</u>	<u>49,500</u>	<u>47,750</u>	<u>11,392</u>	<u>47,500</u>	<u>11,390</u>

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 240,000 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.

During the year ended 30 June 2000, a director and a former director of The Celtic Football & Athletic Company Limited exercised options over 250,000 ordinary shares of 1p each at an issue price of 64p.

Details of directors' share options are included within the Remuneration Committee Report on pages 19 and 20.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

### 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 1999	17,361	13,841	17,361	13,533
Retained loss for the year	-	(6,584)	-	(6,682)
Share capital issued	158	-	158	-
<b>At 30 June 2000</b>	<b>17,519</b>	<b>7,257</b>	<b>17,519</b>	<b>6,851</b>

The Company's loss for the financial year is £6,083,000 (1999 - £255,000 profit).

### 22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	2000 £000	1999 £000
Retained (loss)/profit for the financial year	(6,584)	17
Share capital issued in the year	2	-
Share premium arising in the year	158	-
	(6,424)	17
Balance at 1 July	42,592	42,575
Balance at 30 June	36,168	42,592

At 30 June 2000 Shareholders' Funds included £11,100,000 (1999 - £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

	2000 £000	1999 £000
<b>Returns on investments and servicing of finance</b>		
Preference dividend paid	(533)	(533)
Interest paid	(798)	(463)
Interest element of hire purchase payments	(50)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(1,381)</b>	<b>(996)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(2,264)	(4,056)
Purchase of intangible fixed assets	(12,481)	(6,020)
Sale of intangible fixed assets	1,784	1,826
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(12,961)</b>	<b>(8,250)</b>
<b>Financing</b>		
Loans received	8,997	5,000
Loan instalments paid	(54)	(91)
Capital element of hire purchase payments	(353)	-
Issue of share capital	160	-
<b>Net cash inflow from financing</b>	<b>8,750</b>	<b>4,909</b>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

### 24 ANALYSIS OF NET DEBT

	At 1 July 1999 £000	Cash Flow £000	Other Non-Cash Movements £000	At 30 June 2000 £000
Cash at bank and in hand	1,645	(470)	-	1,175
Debt due within 1 year	(614)	54	349	(211)
Debt due after 1 year	(4,708)	(8,997)	(349)	(14,054)
Hire purchase creditor		353	(1,768)	(1,415)
	(5,322)	(8,590)	(1,768)	(15,680)
<b>Net debt</b>	<b>(3,677)</b>	<b>(9,060)</b>	<b>(1,768)</b>	<b>(14,505)</b>

### 25 CAPITAL AND OTHER FINANCIAL COMMITMENTS

#### a. Capital commitments

Authorised and contracted for:

2000 £000	1999 £000
1,735	2,242

#### 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 £653,000 (1999 - £572,000), of which £453,000 could arise within one year and amounts receivable of £535,000 (1999 - £325,000), all of which could arise within one year.

#### c. Cross guarantees

Cross guarantees exist between the Company and its subsidiary undertakings. The extent of these at 30 June 2000 was £Nil (1999 - £Nil).

### 26 FINANCIAL INSTRUMENTS

Details of the financial instruments of the Group during the financial year ended 30 June 2000, 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 Group has no financial assets other than ACT recoverable and cash.

The bank loans and overdraft bear interest at LIBOR plus 1.125% and base rate plus 1.0% respectively. The other loans of the Group are interest free. It is the Group's policy to secure funding at the most cost-effective rates of interest available to the Group.

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% (inclusive of any associated tax credit).

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

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

The maturity profile of the Group's financial liabilities at 30 June 2000 is disclosed in notes 17 and 19.

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

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

The Group has, at the balance sheet date, an undrawn overdraft and loan facility of £17.5m with an expiry date of July 2019.

### 27 POST BALANCE SHEET EVENTS

Since the balance sheet date further capital expenditure on intangible assets of £10.365m has been incurred.

# CELTIC CHARITY FUND

During the year, Celtic Charity Fund raised over £100,000 from which many worthy causes will benefit. This figure brings the total amount raised over the last four years, including the Club's direct contribution to over £0.6m.

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 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:**

1. Supporting the homeless;
2. Helping the unemployed;
3. 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 Christian based homeless charity Loaves and Fishes also benefited from a substantial donation as principal beneficiary of the highly successful Celtic Charity Fund Sporting Dinner in 2000.

Celtic's concentrated effort to combat bigotry and encourage social integration continued over the year. Northern Ireland Children's Events is continuing its good work in bringing 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.

Celtic's support of multicultural initiatives continued over the year. In April 2000, Celtic sponsored and hosted the Equality Goal seminar for the second year. This year's conference, again focussing on issues of racism and discrimination within sport, proved to be a highly successful event. The Scottish Asian Sports Association also received a donation to assist with its excellent work.

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

Tickety Boo Tea was the principal beneficiary from Green Nose Day which was held in December 1999. This foundation, whose patron is Billy Connolly, is involved in valuable charity work in the UK and overseas. The donation from Celtic Charity Fund will be used principally to support deprived and disadvantaged children in India.

Other recipients of donations last year include the Glasgow Taxis Outing Fund for Sick Children, which took around 800 special needs and under privileged children on a special day out to Troon, and Fairbridge in Scotland, which supports young people struggling to meet the demands of society.

Among the other organisations to benefit are the Children of Mukuru-Nairobi, the Dhaka Orphanage, the Macabi Sports Project, Express Aid International, the Beatson Oncology Centre, Teenage Cancer Trust, St Vincent's Hospice, and the Solway Harvester Appeal.

In 2000, 112 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 2000/2001, please send donations to:

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