Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2001

Registered No: SC 3487

Celtic plc

ANNUAL REPORT
YEAR ENDED 30 JUNE 2001

CONTENTS	PAGE
Summary of the Results	1
Directors, Officers and Advisers	2
Chairman's Statement	3
Chief Executive's Review	5
Financial Director's Report	10
Directors' Report	14
Corporate Governance	18
Report of the Remuneration Committee	20
Statement of Directors' Responsibilities	22
Five Year Record	22
Independent Auditors' Report to the Shareholders	23
Group Profit and Loss Account	24
Group Statement of Total Recognised Gains and Losses	24
Group Balance Sheet	25
Company Balance Sheet	26
Group Cash Flow Statement	27
Notes to the Financial Statements	28
Celtic Charity Fund	43

Celtic plc

ANNUAL REPORT
YEAR ENDED 30 JUNE 2001

SUMMARY OF THE RESULTS

- Winners of the Scottish Premier League, Scottish Cup and League Cup; Celtic's first Treble since 1969.
- Profit from operations of £0.87m (2000: £3.05m).
- Loss on ordinary activities after taxation of £8.12m (2000: £3.96m).
- Turnover increased by 9% to £42.01m (2000: £38.58m) with increases in all major revenue streams.
- Significant increase in revenues from merchandising at 36.6%.
- Substantial investment in the development of the core Professional Football Operation led to operating expenses of £41.14m (up by 21.3%) predominantly due to increases in labour costs.
- Exceptional costs of £4.89m in respect of impairment of intangible fixed assets.
- A gross investment of £21.89m was made in signing 7 new players.
- New extended contracts awarded to key players.
- Year end debt £29.62m (2000: £14.50m).
- Active participation in discussions to restructure the economics of European football.
- Since the year end gross proceeds of £22.52m raised from the issue of 18,012,448 Convertible Preferred Ordinary Shares of £1 each pursuant to Celtic's 2001 Offer for Subscription.
- £6.97m invested in acquiring the registrations of Dianbobo Balde, Steve Guppy, John Hartson and Mohammed Sylla.

Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2001

DIRECTORS, OFFICERS AND ADVISERS

Directors
Brian Quinn CBE (Chairman)*
Ian J W McLeod (Chief Executive)
Eric J Riley (Financial Director)
Kevin Sweeney*
Dermot F Desmond*
Sir Patrick Sheehy (Senior Independent Director)*

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

Company Secretary
Robert M Howat

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

Company Number
SC3487

Registered Office
Celtic Park
Glasgow
G40 3RE

Directors of The Celtic Football and Athletic Company Limited and Celtic Football Club
Ian J W McLeod (Chairman)
Eric J Riley
James P Hone
Kevin Sweeney*
John S Keane *
Michael A McDonald *

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

* Independent Non-Executive Director

Football Manager
Martin O'Neill

Auditors
PKF
78 Carlton Place
Glasgow, G5 9TH

Solicitors
McGrigor Donald
Pacific House
70 Wellington Street
Glasgow, G2 6SB

Bankers
The Co-operative Bank plc
127 St Vincent Street
Glasgow, G2 5JF

Stockbrokers
Old Mutual Securities Limited
Old Mutual Place
2 Lambeth Hill
London, EC4V 4GG

Registrars
Computershare Investor Services PLC
PO Box 451
Owen House
8 Bankhead Crossway North
Edinburgh, EH11 0NU

Web Site
www.celticfc.net

Celtic plc

CHAIRMAN'S STATEMENT

In the period covered by this year's Annual Report and Financial Statements I believe Celtic has made significant progress in carrying out the strategy set out a year ago. The Board is clear that success on the football field is a necessary condition for commercial and financial success; and that a sound financial condition is the basis for achievement of our football objectives of sustaining competitiveness in Scottish football and making progress in European competitions. Football and commercial success are mutually interdependent.

However, this result can be accomplished only if the football league in which Celtic plays is viable. I take no pleasure in repeating that Scottish football does not meet that criterion. Despite increased attendances, Scottish club football is not profitable. A new television contract beginning next season may buy some time but if that time is not used to tackle the structural weaknesses that underline the current malaise, the condition of Scottish football will continue to deteriorate and, with it, the ability of Scottish clubs to compete in the wider scene.

In the meantime we must explore all possibilities for improving our own position. In the short term this has meant increasing income where we can, most notably by raising season ticket prices by an average of over 20%. We also raised additional capital of £22.5 million at a time when financial markets are subdued and football clubs are out of favour. This will enable us to strengthen our playing staff and infrastructure.

But most important for the medium and longer term, we are convinced that the football industry is bound to change at home and abroad. We intend to be part of the process that leads to change and to play our full role in whatever emerges. We understand the anxieties of the football authorities at the prospect of radical change, but tinkering with the status quo offers no answers to the serious questions that European football, and more particularly Scottish football, is facing.

This year's results reflect two main factors: the outstanding success that the first team enjoyed under Martin O'Neill's leadership; and the significant costs associated with our decision to invest in the football division in the last two years.

The first team secured the domestic Treble for the first time in over 30 years. Celtic lost only three league matches, two of them after the Championship had been secured, and were defeated at Celtic Park only once. Henrik Larsson, whose contract with Celtic has been extended to June 2004, won the European Golden Shoe award, scoring 53 goals in the season.

Turnover rose by 9% during the year. This contributed to a profit from operations of almost £1 million, despite the substantial costs arising from the strengthening of the football squad. In the year just ended Celtic made a gross investment of over £21 million in players. Players' remuneration largely explains the increase of £5.7 million in total personnel costs, with some signs that there has been an acceleration in the sector as the year went on. Nevertheless, our football labour costs, at 53% of turnover, compare favourably with the sector as a whole; and we believe that we have the financial controls in place which will enable us to maintain these costs at a manageable level.

We have also taken what we feel is the prudent step of writing down the value of some players who may not play a continuing part in the future of the team.

Celtic plc

CHAIRMAN'S STATEMENT

The growth of turnover, particularly in merchandising sales, during the year ending June 30th was pleasing. We recognise that we must grow and diversify our revenue base. While sustained success will drive football revenues, management will focus on the development of additional income streams that are less directly dependent on achievements on the pitch; in particular, we will work to exploit our media rights which we believe have considerable value.

We start our new year with a solid financial base and a strengthened football squad. The Board is confident that Celtic will maintain its success in Scotland and will seek to make real progress in European competition.

Brian Quinn CBE
Chairman

17 August 2001

Celtic plc

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

The on-field performance by Celtic last season was exceptional, achieving a clean sweep of all major domestic competitions for the first time in 32 years. The football management and players are to be congratulated on their achievements. Unfortunately such a strong level of domestic footballing success in Scotland did not result in a corresponding financial performance for the Company. This disparity highlights the growing challenge facing football clubs as they invest in the player resource necessary to enable them to compete successfully, but endeavour to generate sufficient funding to finance the player acquisition and remuneration cost required.

Whilst there was an encouraging increase in turnover of 8.9% to £42.01m, operating expenses increased by 21.3% to £41.14m and the loss for the year transferred to reserves grew to £8.72m.

CELTIC STRATEGY

The results announced reflect the fact that Celtic is currently operating within a highly volatile market.

What is clear is that a substantial level of investment in players is not sufficient alone to guarantee success on the field. A team needs to be built effectively, invested in astutely and then organised and motivated successfully.

A strong football management team is therefore critical and the fact that Celtic now has such a management team in Martin O'Neill, John Robertson and Steve Walford is clearly indicated by the results from last season.

However, the legacy of significantly less cost effective decisions from prior seasons has had to be addressed, with the write down of player values accounting for 52% of the operating loss reported.

Planned control of costs is still being maintained with football wage costs held at 53% of revenues, which is a strong performance relative to the industry.

SQUAD INVESTMENT

Positive investment in squad calibre has continued during the year as funds have been made available to acquire players. Agathe, Douglas, Lennon, Sutton, Thompson and Valgaeren all signed for Celtic during the period and all featured strongly in the Treble winning side.

CHIEF EXECUTIVE'S REVIEW

The Bosman ruling is growing in its impact as it becomes not only essential that football clubs acquire the services of talented players in the market place but also critical that the services of key existing players are retained if the overall team calibre is to continue to be enhanced. Extensions to the contract periods for a number of current players, including Larsson, Petrov, Mjallby and Moravcik, have therefore also been agreed.

The investment in these players plus the more recent acquisitions in July and August 2001 have had the added dual benefit of lowering the squad age and extending the average length of contract.

TURNOVER PERFORMANCE

Core to the strategy within Celtic is to continue to improve revenues and grow income further as the team becomes more successful.

Despite the disappointing European performance last season, runaway success domestically delivered £1.9m of incremental ticket revenue and £0.7m of incremental broadcasting revenue, taking absolute earnings from Professional Football and Multimedia and Communications to £21.7m and £9.9m respectively.

Merchandising sales growth was even more successful, attaining an increase of 36.6% year on year. This financial year realised a full year benefit of sales from the two stores opened in Northern Ireland, in addition to the opening of a store in Argyle Street in Glasgow. Argyle Street sales substantially exceeded budget without any cannibalisation effect on other Celtic outlets in the City. We also launched a new home strip, which has proved to be our fastest selling replica strip ever.

YOUTH DEVELOPMENT

It is worthy of note that revenues, primarily Lottery and Prize Draw receipts, exceeded £1.2m for the first time. Given the high profile of the National Lottery, a growth in our own receipts of over 12% is a very strong performance in a competitive market. All funds gained are utilised to support our Youth Development programme.

There are clear opportunities to improve our Youth Development facilities, which are included in our medium term strategy. It is encouraging to note that a number of Youth Team members participated in first team games during the season; notably Jamie Smith, Stephen Crainey and Shaun Maloney.

Celtic has previously secured the short-term lease and the right subsequently to acquire the Westthorn Recreation Park. Planning permission has been granted to construct four pitches and two goal-keeping training areas. These additional facilities, when combined with the existing Barrowfield training facilities, will satisfy the demands of the First Team and U-21 squads. Also, it will provide an additional training location for the youth teams until the Youth Academy project comes to fruition. The works at Westthorn will be completed on a phased basis starting with the artificial pitch which is expected to be available during Autumn 2001.

CHIEF EXECUTIVE'S REVIEW

STADIUM ENTERPRISES

During the course of the year, we contracted out our catering facilities to Sodexho. The outsourcing of the catering function has proven to be a success in both financial and operational terms. Whilst initial service quality problems were experienced during the hand-over and mobilisation period, these have been addressed and continued improvements are being sought. The challenge this year is to develop further the partnership with Sodexho, capitalising on their extensive marketing expertise to expand the conference and banqueting business.

MULTI MEDIA & COMMUNICATIONS

The Company's media strategy is to fund internally the generation of quality content as far as practicable and to secure partnerships in non-core competence areas such as distribution, marketing and technical services including hosting, networking and live streaming.

To date this strategy has provided a number of successes. Celtic was the first UK club to audio/video stream a match live over the internet. Following this, all of our UEFA Cup home ties for season 2000/2001 were shown live on the internet. Another football first was achieved when we screened the Tom Boyd testimonial on broadband across the internet. In addition, a daily audio-visual webcast featuring Celtic players, management staff and guests and a monthly hour-long pre-recorded audio/video programme have become regular features of the Celtic website.

Much of this activity has been groundbreaking within the sector and has been achieved without the necessity to enter agreements with third parties where sharing technical knowledge and surrendering intellectual property rights would have been necessary. A potential compromise to future revenue streams for Celtic has therefore been avoided.

These developments will continue as Celtic monitors the success of its evolutionary website. The opportunities offered by worldwide broadband access have significant potential and with the experience gained so far, Celtic is well positioned to take advantage of these opportunities. New media will afford Celtic the opportunity to reach its global audience and allow Celtic supporters around the world the chance to support the Club actively as it moves forward.

A new integrated news operation has had a positive impact on traditional publishing revenues. The Celtic View averaged close to 25,000 sales per week, the highest circulation of any club football weekly, and articles were regularly quoted subsequently on football websites and in national newspapers with "breaking news".

CHIEF EXECUTIVE'S REVIEW

FUTURE OUTLOOK

The success of last season provides us with foundations to build on and we have signed four new high quality players in Hartson, Balde, Guppy and Sylla as we continue implementing the strategy aimed at building on our current footballing success. Core to our strategy is that on-field success drives all other aspects of the Company's growth. On-field success allows us to leverage the development of the Celtic Brand, particularly through the utilisation of technology to enhance accessibility to Celtic on an international scale. During the course of last year, we implemented a series of groundbreaking internet developments, which have highlighted the potential to grow our revenue generating audience substantially over time. We have demonstrated that we are capable of broadband internet broadcast and have proved that we can supply a product of substantial quality to support subscription revenue. This form of activity is a priority for Celtic.

The ongoing development of Celtic's website remains a key part of Celtic's multimedia strategy and the recent pay per view broadband screening of Celtic's pre-season friendlies against Fulham and Sunderland highlights the development of our expertise in this area. Penetration opportunities lie in those areas which have a large Celtic football following or population clusters of Scottish and Irish origin. Key market potential exists in England, Ireland, North America and Australasia. The use of the internet to market to these customers and facilitate ordering and fulfillment is a fundamental part of this approach.

Several media companies have expressed an interest in acquiring certain of Celtic's intellectual property rights. It is recognised that these companies and others have concluded various types of media deals with other Scottish and English Premiership and lower division clubs. However, we have deliberately taken time to understand our media rights and the long-term benefits attached to these. In any potential partnership, Celtic will seek to protect this inherent value. The Company continues to explore the best way of exploiting its media rights at a price that recognises the full value of the Celtic Brand.

It is also our intent to attract additional income through the development of further revenue generating capital projects.

With regard to merchandising, it is clear that the potential exists for further growth in retail space through acquisition of more Celtic outlets. Where we are not represented by our own retail space, we will continue to develop our wholesale business by directly approaching retail chains at home and abroad.

Our internet merchandise sales continue to grow significantly, by almost 1,000% in the last two years, and we intend to work on the continued growth of this sector of our business. Particular emphasis will be placed on our back-up logistics to ensure that orders placed are received by the customer in a timely manner.

Further product range extensions are also planned following research among supporters, which will see a broadening of products available particularly in the leisurewear and kidswear sectors. Improvements in in-store availability will also be a priority for us.

CHIEF EXECUTIVE'S REVIEW

Through our relationships with Sodexho, we intend to develop a programme of activities, which will stimulate growth in our non-matchday catering revenues. Consistency of standards in presentation and food quality will be key and therefore a priority in terms of focus. Existing facilities will also be enhanced through expansion of our restaurant capability and the commencement of a refurbishment programme within our Corporate Hospitality areas.

CONCLUSION

The dynamics of football are placing increasing pressure on clubs to manage their cost base and seek alternative revenue streams to maintain financial viability. Many clubs are finding this balance extremely difficult to achieve, particularly when supporter expectations are high.

At this stage in Celtic's development, we have recognised that the market is hardening and the potential to achieve success becomes more challenging. This year will see an increase in ticket prices, which will, in part, offset the growth in costs but will not compensate for the relative disparity in broadcast revenues North and South of the Border.

We need to expand our market and therefore our audience, which is why revenue growth through the provision of the Celtic product to a broader international audience through the internet is essential and will continue to grow in importance.

Equally, we firmly believe that in the medium term there will be change to the structure of European and British Football. Celtic will continue to play its part at the vanguard of that change, as we strongly believe such change is essential not just for providing Celtic with an opportunity to maximise its potential but also to enhance the future of the game overall.

We envisage sustaining our current success, maintaining a strong control over costs, exploiting developments in technology and providing the Celtic Brand to a broader international audience. Watching Celtic play more regularly in more competitive matches will generate the revenue streams needed to sustain medium term growth in on-field and off-field success. A stronger correlation in the future between football performance and financial performance is therefore envisaged.

Ian J W McLeod
Chief Executive

17 August 2001

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 financial statements and are consistent with last year save that, as encouraged by the Accounting Standards Board, Financial Reporting Standard Number 19 - Deferred Tax has been adopted in the current year and deferred tax is now provided on all timing differences at the balance sheet date which have yet to reverse. As a consequence of adopting FRS 19 the previous year's financial statements have been restated leading to an increase in debtors of £5.68m in 2001 and £2.61m in 2000.

FINANCIAL RESULTS

Following a successful year in terms of football performance, turnover increased by 8.9% to £42.01m continuing the upward trend of previous years. Operating expenses rose by 21.3% to £41.14m, predominantly due to increased labour costs. Profit from operations was £0.87m compared to £3.05m last year.

Exceptional amortisation costs of £4.89m were incurred following an impairment review of intangible fixed assets. The net loss for the year after amortisation of intangible fixed assets, provision for impairment of intangible fixed assets, gain on disposal of intangible fixed assets, interest and tax amounted to £8.12m in comparison to a loss of £3.96m (as restated) in 2000. A preference dividend of £599,400 falls to be paid on 31 August 2001, which provides a retained loss for the year of £8.72m (2000: £4.56m as restated).

TURNOVER

A summary of turnover per business operation is set out in note 2 to the financial statements and a detailed analysis of the performance of each operation is given in the Chief Executive's Review on pages 5 to 9.

This year, 27 home matches were played in the season compared to 26 last year which has contributed to the £3.43m increase in turnover. A significant increase in revenue was achieved in Merchandising, 36.6%, building on the 46.7% increase achieved last year. Revenues from Professional Football, Multimedia and Communications and Youth Development all reported income growth over 2000 levels. Turnover from Stadium Enterprises was down on 2000 levels as a result of the outsourcing of the catering operation in July 2000.

The on-field success, particularly the progress achieved in winning both domestic cup competitions, ensured that turnover levels in the second half of the financial year, when generally less home matches are played, did not fall away to the same extent as last year. It remains clear that revenue generation is closely related to football success.

Celtic plc

FINANCIAL DIRECTOR'S REPORT

OPERATING EXPENSES

Operating expenses rose by £7.23m to £41.14m representing a 21.3% increase in the year. This uplift was predominantly due to increases in labour costs of £5.74m. Total labour costs rose by 28.4% to £25.90m. Professional Football and Youth Development increased by £6.17m, which is an uplift of 38.5% over the previous year. The increased costs are predominantly a result of the significant planned investment to develop the core Professional Football operation. Following the appointment of Martin O'Neill the football operations management team was strengthened with the recruitment of John Robertson, Steve Walford and Tommy Burns. A substantial investment in the first team playing squad was made with seven new players being acquired which increased the base salary costs. Further, the bonuses payable following the first team's success in all three domestic competitions resulted in additional cost increases. Total labour costs currently represent 61.7% of turnover, with football labour costs representing 52.9%. Celtic recognises the need to maintain strict control over football wage inflation in an area that continues to cause concern throughout the industry. Given the strategy outlined by the Board to strengthen the first team squad, the level of player salaries will most likely continue to increase. However, ongoing financial controls are in place to ensure that wage costs are maintained at a manageable level, particularly in relation to turnover.

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

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 £21.89m less the cost of disposals of £5.86m, has resulted in the total amortisation costs increasing by £2.40m, an uplift of 33.3% over the previous year.

IMPAIRMENT OF INTANGIBLE FIXED ASSETS

The exceptional amortisation charge of £4.89m (2000: £Nil) represents a provision for the write down in net book value in respect of certain players following a review of the first team squad.

NET GAIN ON SALE OF INTANGIBLE FIXED ASSETS

The net gain on sale of intangible fixed assets of £4.26m includes the disposal of Mark Viduka to Leeds United and Vidar Riseth to FC 1860 Munich, together with the crystallisation of contingent transfer fees in respect of certain players from previous years.

TANGIBLE FIXED ASSETS

The additions to tangible fixed assets in the year of £1.04m is represented mainly by the new Argyle Street retail outlet in Glasgow, land acquisition in respect of the proposed training facility, the provision of additional office accommodation and improvement works to the LSV Screens within Celtic Park.

Celtic plc

FINANCIAL DIRECTOR'S REPORT

INTANGIBLE FIXED ASSETS

The increase in the net book value of intangible assets from 30 June 2000 of £5.07m reflects the increased investment in the playing squad and football operation of £21.89m less the net book value of disposals of £2.33m and the amortisation charge and impairment provision of £9.60m and £4.89m respectively.

STOCK

The increase in stocks of £272,000 compared to 30 June 2000 is principally due to the opening of the new retail outlet in Argyle Street, Glasgow in March 2001.

DEFERRED TAX

The adoption of FRS19 - Deferred Tax during the year resulted in the recognition of a deferred tax asset as a result of the tax losses available to the Group in both 2001 and 2000. This amounts to £5.68m as at 30 June 2001 (2000: £2.61m).

DEBTORS

The increase in the level of debtors at 30 June 2001 is primarily a result of the increased trading activity towards the year-end, particularly the accrued income due from the first team's success in the Scottish Cup Final at the end of May 2001. This compares to defeat in the third round last year.

CREDITORS DUE WITHIN ONE YEAR

The increase in creditors from 30 June 2000, largely reflects the bank overdraft position of £7.32m (2000: £nil) and the increased level of other taxation and social security, resulting from increased payroll deductions due to the Inland Revenue, given the uplift in base labour costs and the football success bonuses paid in June. In addition there is an increased VAT liability following the level of season ticket receipts prior to the year end. The increase in deferred income over last year of £2.11m reflects mainly the success of the season ticket campaign for season 2001/2002.

CREDITORS DUE AFTER MORE THAN ONE YEAR

The increase in creditors due after more than one year from 30 June 2000 of £6.6m mainly reflects the drawdown in full of a 20-year, £21.0m term loan facility (2000: £14.0m).

Celtic plc

FINANCIAL DIRECTOR'S REPORT

FUNDING

At 30 June 2001, the Company's net debt was £29.62m. Of this £28.73m was in respect of bank loans and overdraft which was well within the available bank facility at the balance sheet date of £46.5m. At the year end, this facility comprised an overdraft of £10.5m, an additional overdraft facility of £15m together with term loans of £21m, of which £6.4m is repayable in equal quarterly instalments from October 2009 until April 2019 and £14.6m is repayable in July 2019.

The additional facility expired following the receipt of £22.5m from the Offer for Subscription of Convertible Preferred Ordinary Shares of £1 each and the bank facility was increased by £4.5m to £36m.

SHARE ISSUE

On 31 July 2001, the Company raised £22.5m from the issue of 18,012,448 Convertible Preferred Ordinary Shares pursuant to Celtic's 2001 Offer for Subscription.

OUTLOOK

The Company is suitably positioned with prospects of expansion in various areas of its business. However a key challenge facing your Board continues to be the management of salary and transfer costs whilst achieving on-field success in order to yield satisfactory financial return.

Eric J Riley
Financial Director

17 August 2001

Celtic plc

DIRECTORS' REPORT

The directors are pleased to present their report together with the financial statements for the year ended 30 June 2001.

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 8.9% from £38.58m in 2000 to £42.01m in 2001. Operating costs have risen by 21.3%, resulting in profit from operations being reduced to £871,000 (2000: £3.05m). The net loss for the year after exceptional costs, amortisation of intangible fixed assets, impairment of intangible fixed assets, profit on disposal of intangible fixed assets and interest but before tax amounted to £11.19m (2000: £5.98m). The preference share dividend of 6% (inclusive of tax credit) will be paid on 31 August 2001 to those preference shareholders on the register at 10 August 2001. The directors do not recommend the payment of an ordinary share 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

Since the year end £22.52m has been raised by an Offer for Subscription for Convertible Preferred Ordinary Shares in the Company.

Since the year end the registrations of the players Dianbobo Balde, John Hartson, Steve Guppy and Mohammed Sylla were acquired and the registrations of Eyal Berkovic and Stephane Mahe were transferred.

DIRECTORS AND THEIR INTERESTS IN THE COMPANY'S SHARE CAPITAL

The directors serving throughout the year and at 30 June 2001 (unless otherwise indicated) and their interests in the Ordinary Shares and Preference Shares of the Company were as follows:

	30 June 2001		1 July 2000	
Name	**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	7,350	7,775
Ian J W McLeod (appointed 2 March 2001)	-	-	-	-
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	4,273,770	5,131,300
Sir Patrick Sheehy	13,000	-	13,000	-

Allan MacDonald resigned as a director with effect from 1 January 2001. On 1 July 2000, Mr. MacDonald owned 109,286 Ordinary Shares of 1p each and 12,500 Preference Shares of 60p each.

Dermot F Desmond is beneficially interested in the shares noted above in the table. These shares are held in the name of Line Nominees Limited.

Celtic plc

DIRECTORS' REPORT

Following the Offer for Subscription of new Convertible Preferred Ordinary Shares of £1 in July 2001, the interests of the directors in new Convertible Preferred Ordinary Shares of the Company as at 17 August 2001 are as follows:

Brian Quinn CBE	20,000
Ian J W McLeod	8,000
Eric J Riley	8,000
Kevin Sweeney	2,500
Dermot F Desmond	8,000,000
Sir Patrick Sheehy	20,000

Other than the offer for subscription of new Convertible Preferred Ordinary Shares there were no other changes in directors' shareholdings between 30 June 2001 and 17 August 2001.

Brief biographical details of the directors are as follows:

Brian Quinn CBE, a non-executive director of the Company since March 1996, is Chairman. Formerly a senior executive director and acting Deputy Governor at the Bank of England, Mr Quinn has extensive experience in international finance and economics. He is a non-executive director of Britannia Asset Management Limited. Mr Quinn is also a Fellow of the Institute of Bankers in Scotland and prior to joining the Bank of England he held positions with the International Monetary Fund.

Ian J W McLeod was appointed Chief Executive of Celtic on 2 March 2001 and took up the position on 30 April 2001. He graduated with honours in Business Studies and in 1999 completed the Advanced International Senior Managers programme at Harvard Business School. Mr McLeod joined the Asda Stores Group in 1981 and moved quickly through the organisation ultimately being appointed to the Asda Management Board in 1997 where he spent time working closely with McKinsey and Company. Following the Asda take over by Wal-Mart Inc Mr McLeod was appointed Managing Director for North East England and in 2000 was subsequently promoted to the Executive Board for Wal-Mart, Germany as Chief Merchandise Officer, responsible for Buying and Marketing.

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 with Arthur Young (now Ernst & Young). He is the Company's Financial Director and 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 non-executive director of the Company since May 1995. He is chairman and founder of International Investment & Underwriting Limited ("IIU"), a private investment company, operating from the International Financial Services Centre in Dublin. IIU and related companies have a substantial number of investments in a variety of businesses world-wide including London City Airport and the Sandy Lane Hotel, Barbados. Mr Desmond was previously chairman and founder of the NCB Group. Mr Desmond is Chairman of the Remuneration Committee.

Sir Patrick Sheehy has been a non-executive 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 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 is Chairman of the Audit and Nomination Committees.

Kevin Sweeney has been a director of the Company since July 1998. Between January 2000 and 18 June 2001 Mr Sweeney undertook certain temporary executive responsibilities, specifically as Company Secretary and in relation to legal matters. Mr Sweeney was previously the senior partner in the corporate unit of the Company's 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. He holds a number of other non-executive appointments.

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, Dermot Desmond and Sir Patrick Sheehy retire by rotation. Sir Patrick Sheehy having attained the age of 71 and having been duly proposed for re-election and Dermot Desmond being eligible, offer themselves for re-election. Mr McLeod, having been appointed by the directors since the last Annual General Meeting, retires and, being eligible, offers himself for re-election. The directors, in accordance with the Articles of Association, recommend that Sir Patrick Sheehy, Mr Desmond and Mr McLeod be re-elected.

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

DIRECTORS' REPORT

SUBSTANTIAL INTERESTS

In addition to the directors' interests set out above, the Company has been notified of the following interests of over 3% in its issued Ordinary Share capital as at 17 August 2001:

	Ordinary Shares of 1p each	Percentage of Issued Ordinary Share capital
John S Keane	1,808,080	6.18 %
FMR Corp*	2,803,860	9.59 %

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

In addition to the directors' interests as set out above the Company has been notified of the following interests of over 3% in the Convertible Preferred Ordinary Share capital:

	Convertible Preferred Ordinary Shares of £1 each	Percentage of Issued Convertible Preferred Ordinary Share
Thomas Lynch	1,600,000	8.88%
Martin O'Neill	1,600,000	8.88%
Pearse Flynn	800,000	4.44%
Eddie Jordan	800,000	4.44%
Denis O'Brien	800,000	4.44%

DONATIONS

During the year, Celtic Charity Fund raised over £100,000 from which many worthy causes will benefit. Details of the many charitable activities of Celtic and the charitable donations made by Celtic Charity Fund during the year are narrated on page 43. In addition to the ongoing support provided to other charitable organisations through the provision of signed memorabilia for their fund raising purposes, the group also made direct charitable donations of £9,260 (2000: £10,352).

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 (2000: 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 employees and directors of the Company who work at least twenty five hours each week 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 outside EMU. HM Government has indicated that any decision to join EMU will most likely not occur until later in this 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.

Celtic plc

DIRECTORS' REPORT

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 (4th Edition), the Health and Safety at Work Act etc 1974, the Management of Health and Safety at Work Regulations 1992 and its associated documentation.

AUDITORS

The group's auditors, Pannell Kerr Forster, changed its name to PKF on 1 November 2000 and has signed its audit report under its new name.

PKF, has indicated its willingness to continue in office and a resolution to re-appoint PKF as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Robin Howat

***Robert Howat*, Secretary**
Celtic Park, Glasgow, G40 3RE

17 August 2001

Celtic plc

CORPORATE GOVERNANCE

The Board supports and is committed to achieving compliance with the standards of corporate governance set out in sections entitled "Principles of Good Governance and Code of Best Practice", of the Combined Code ("the Combined Code"). The Board confirms that the Group has been in compliance with these provisions throughout the year, and up to the date of approval of these financial statements.

BOARD OF DIRECTORS

The Board of directors comprises a non-executive chairman, three non-executive directors and two executive directors. Kevin Sweeney has had temporary executive responsibilities in the year to 30 June 2001 but has now reverted to a non-executive role. 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 schemes. The directors are responsible for 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 exercises full control over Group strategy. Key operational decisions, including planning, safety and appointment of external 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 2. It is advised internally and obtains independent advice from external consultants to assist in determining and developing its policies. Its report is set out on pages 20 and 21.

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 auditors without 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 2.

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 detailed on page 2. Executive search consultants are used by the committee where necessary to assist this process.

INVESTOR COMMUNICATION

The Company maintains open dialogue with its investors by means of regular presentations including its interim and final results. The Company is always ready where practicable to enter into dialogue with institutional and other 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.

CORPORATE GOVERNANCE

REPORTING AND INTERNAL CONTROLS

The Board's Review of 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.

Risk management and internal control are considered on a regular basis during the year and a review of the procedures was conducted before reporting on the year ending 30 June 2001. The Board believes that there is an ongoing process for identifying, assessing and managing all significant risks facing the Group. The Board reviews this process, primarily through the Audit Committee. The Audit Committee considers the reports produced by the internal audit function, in conjunction with the results of the risk management process. A programme of control assessment and internal audit is then agreed to review and monitor the effectiveness of the Group's internal controls and mitigate all main risks including financial, operational and compliance risks. The results of these reviews are then reported to the Audit Committee. This allows the Board, advised by the Audit Committee, to review the effectiveness of internal control within the Group.

Internal Financial Control

The Board of Directors has ultimate responsibility for ensuring that a balanced and understandable assessment of the Group's position and prospects is presented. A coherent and concise narrative within the report and financial statements 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 2001 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 financial statements.

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 remuneration of executive directors and senior management 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. No director is involved in deciding his own remuneration. 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**	**Other**	**2001 Total**	**2000 Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**
B Quinn CBE	30,000	-	-	-	-	30,000	16,250
I J W McLeod	38,366	-	1,920	8,333	50,000	98,619	-
E J Riley	153,000	29,700	12,073	12,150	-	206,923	135,427
K Sweeney	43,750	-	-	-	-	43,750	27,500
D F Desmond	15,000	-	-	-	-	15,000	15,000
Sir Patrick Sheehy	15,000	-	-	-	-	15,000	15,000
A MacDonald (resigned 1/01/01)	100,000	-	12,598	15,000	-	127,598	177,724
F J McCann (resigned 8/10/99)	7,823	-	-	-	-	7,823	-
F O'Callaghan (resigned 1/06/00)	-	-	-	-	-	-	27,500
	402,939	29,700	26,591	35,483	50,000	544,713	414,401

Included in the above figures are fees of £3,750 paid to third parties in respect of the provision of services of non-executive directors.

The payment to Mr McCann reflects fees in respect of his position as a non-executive director for the period 1 April 1999 until 8 October 1999.

The salary paid to Mr Riley includes £45,000 for additional temporary responsibilities as acting Chief Executive undertaken during the year. An introductory payment of £50,000 was made to Mr McLeod on taking up his appointment.

Mr McLeod is entitled to be granted an option to acquire Ordinary Shares under the unapproved share option scheme. The option will be exercisable over Ordinary Shares having an aggregate market value of £1m, at the date of grant. The exercise price per Ordinary Share payable on exercise of the option will initially be set at a price equal to the market value of the Ordinary Shares as at the date of the grant. As a consequence if on the second anniversary of the date of the grant of the option, it does not have a built in gain of at least £400,000, the Company will pay to Mr McLeod a cash sum equal to the shortfall . If any such cash payment is made, the exercise price per Ordinary Share under the option will be increased by an amount equal to the cash sum divided by the number of Ordinary Shares subject to the option. The option, but not the cash sum referred to above, will be subject to the performance conditions disclosed to shareholders at the Company's last Annual General Meeting.

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 participate in the Company's performance-related bonus scheme. The scheme focuses on corporate and business performance and, whilst there are differing levels of reward for each director, the maximum total payment is 75% of salary. 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.

REPORT OF THE REMUNERATION COMMITTEE

Share Option Scheme

The Company operates an executive share option scheme which applies, on a discretionary basis, to executive directors and certain employees working more than twenty five hours per week.

The Company believes that share ownership strengthens the link between personal interests and those of the shareholders and encourages long term improvement in the Company's performance.

At 30 June 2001 no director had been granted options under the Celtic plc Executive Share Option Scheme which remained exercisable. Resolutions are being proposed at the AGM of the Company to amend the rules of the Celtic plc Executive Share Option Scheme. These amendments, if approved would inter alia, enable the Company to grant options, on a limited basis, over the new Convertible Preferred Ordinary Shares of the Company. Details of the resolutions are contained within the Notice of the AGM and the explanatory notes accompanying the Notice.

Pension

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

EMPLOYMENT TERMS

Executive directors' employment is terminable by the Company on 12 months notice. In the event of early termination none of the executive directors is 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 are eligible for a range of benefits on which they are assessed for income tax and which may include the provision of a company car, fuel, relocation allowance, private medical insurance, permanent health insurance, life assurance and critical illness cover. 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. The Chairman is entitled to take up to 50% of his fees in Ordinary Shares of the Company and has the use of a company car and driver on company business. The non-executive directors have no potential conflicts arising from cross-directorships or day to day involvement in running the Company.

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

ON BEHALF OF THE REMUNERATION COMMITTEE

Dermot F Desmond
Chairman

17 August 2001

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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

FIVE YEAR RECORD

	2001	2000	1999	1998	1997
	£000	£000	£000	£000	£000
FINANCIAL					
TURNOVER	**42,007**	38,579	33,840	27,821	22,189
PROFIT FROM OPERATIONS	**871**	4,676	6,754	5,094	5,899
(LOSS)/PROFIT AFTER TAXATION	**(8,123)**	(3,956)	1,134	7,101	5,152
DIVIDENDS	**599**	599	533	533	533
NET ASSETS	**30,059**	38,781	43,176	42,575	36,007
SHARES IN ISSUE ('000)	**47,750**	47,750	47,500	475	475
(LOSS)/EARNINGS PER ORDINARY SHARE	**(29.82p)**	(15.63p)	3.9p	22.65p	15.93p
DILUTED (LOSS)/EARNINGS PER SHARE	**(17.04p)**	(8.34p)	2.34p	14.90p	10.83p
NUMBER OF EMPLOYEES	**381**	444	424	375	320
FOOTBALL					
LEAGUE POSITION	**1**	2	2	1	2
LEAGUE POINTS	**97**	69	68	74	75
SCOTTISH CUP	**WINNERS**	THIRD ROUND	FINAL	SEMI FINAL	SEMI FINAL
LEAGUE CUP	**WINNERS**	WINNERS	THIRD RD	WINNERS	FOURTH RD
EUROPEAN TIES PLAYED	**3**	3	4	3	2
CELTIC PARK					
STADIUM INVESTMENT TO DATE (£000)	52,513	51,632	49,661	46,764	37,011
STADIUM SEATING CAPACITY	60,506	60,506	60,506	50,552	50,552
AVERAGE HOME LEAGUE ATTENDANCE	59,170	58,163	59,213	48,532	47,507
SEASON TICKET SALES	54,253	53,397	53,388	42,322	40,529

Celtic plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Celtic plc for the year ended 30 June 2001 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does 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 control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, the Financial Director's Report, the Corporate Governance Statement and the Report of the Remuneration Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 Company's and 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 Group and the Company as at 30 June 2001 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF
Registered Auditors

Glasgow, UK

17 August 2001

Celtic plc

GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2001

	Notes	**2001** **£000**	2000 £000 (as restated)
TURNOVER	2	**42,007**	38,579
OPERATING EXPENSES	3	**(41,136)**	(33,903)
PROFIT FROM OPERATIONS		**871**	4,676
EXCEPTIONAL OPERATING EXPENSES	4	**-**	(1,629)
PROFIT FROM OPERATIONS AFTER EXCEPTIONAL OPERATING EXPENSES		**871**	3,047
AMORTISATION OF INTANGIBLE FIXED ASSETS	13	**(9,604)**	(7,203)
IMPAIRMENT OF INTANGIBLE FIXED ASSETS	13	**(4,892)**	-
NET GAIN/(LOSS) ON SALE OF INTANGIBLE FIXED ASSETS	13	**4,260**	(981)
OPERATING LOSS		**(9,365)**	(5,137)
INTEREST PAYABLE AND SIMILAR CHARGES	8	**(1,825)**	(848)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(11,190)**	(5,985)
TAX ON ORDINARY ACTIVITIES	9	**3,067**	2,029
LOSS FOR THE YEAR		**(8,123)**	(3,956)
PREFERENCE DIVIDEND	10	**(599)**	(599)
LOSS FOR THE YEAR TRANSFERRED TO RESERVES	22	**(8,722)**	(4,555)
LOSS PER ORDINARY SHARE	11	**(29.82p)**	(15.64p)
DILUTED LOSS PER SHARE	11	**(17.04p)**	(8.34p)

All amounts relate to continuing operations.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

LOSS FOR FINANCIAL YEAR	**(8,722)**	(4,555)
PRIOR PERIOD ADJUSTMENT (as explained in note 28)	**2,613**	
TOTAL LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	**(6,109)**	

Celtic plc

GROUP BALANCE SHEET
30 JUNE 2001

	Notes	2001 £000	2001 £000	2000 £000	2000 £000 (as restated)
FIXED ASSETS					
Tangible assets	**12**		**46,664**		46,753
Intangible assets	**13**		**24,106**		19,039
			70,770		65,792
CURRENT ASSETS					
Stocks	**15**	**1,228**		956	
Deferred tax asset	**16**	**5,680**		2,613	
Debtors	**17**	**4,579**		4,065	
Cash at bank and in hand		**87**		1,175	
		11,574		8,809	
CREDITORS - Amounts falling due within one year	**18**	**(20,066)**		(12,315)	
Income deferred less than one year	**19**	**(10,447)**		(8,333)	
		(30,513)		(20,648)	
NET CURRENT LIABILITIES			**(18,939)**		(11,839)
TOTAL ASSETS LESS CURRENT LIABILITIES			**51,831**		53,953
CREDITORS - Amounts falling due after more than one year	**20**		**(21,772)**		(15,172)
NET ASSETS			**30,059**		38,781
CAPITAL AND RESERVES					
Called up share capital (includes non-equity)	**21**		**11,392**		11,392
Share premium	**22**		**17,519**		17,519
Profit and loss account	**22**		**1,148**		9,870
SHAREHOLDERS' FUNDS	**23**		**30,059**		38,781

Approved by the Board on 17 August 2001

Ian J W McLeod **Director**

Eric J Riley **Director**

Celtic plc

COMPANY BALANCE SHEET

30 JUNE 2001

	Notes	2001 £000	2001 £000	2000 £000 (as restated)	2000 £000 (as restated)
FIXED ASSETS					
Tangible assets	12		46,664		46,753
Intangible assets	13		24,106		19,039
			70,770		65,792
CURRENT ASSETS					
Stocks	15	1,228		956	
Deferred tax asset	16	5,680		2,613	
Debtors	17	4,518		4,055	
Cash at bank and in hand		78		1,168	
		11,504		8,792	
CREDITORS - Amounts falling due within one year	18	(20,458)		(12,704)	
Income deferred less than one year	19	(10,447)		(8,333)	
		(30,905)		(21,037)	
NET CURRENT LIABILITIES			(19,401)		(12,245)
TOTAL ASSETS LESS CURRENT LIABILITIES			51,369		53,547
CREDITORS - Amounts falling due after more than one year	20		(21,772)		(15,172)
NET ASSETS			29,597		38,375
CAPITAL AND RESERVES					
Called up share capital (includes non-equity)	21		11,392		11,392
Share premium	22		17,519		17,519
Profit and loss account	22		686		9,464
SHAREHOLDERS' FUNDS			29,597		38,375

Approved by the Board on 17 August 2001

Ian J W McLeod **Director**

Eric J Riley **Director**

Celtic plc

GROUP CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2001

	2001 **£000**	*2000* £000 (as restated)
RECONCILIATON OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating loss	**(9,365)**	(5,137)
Depreciation	**1,128**	1,128
Amortisation of intangible fixed assets	**9,604**	7,203
Impairment of intangible fixed assets	**4,892**	-
Net (gain)/loss on sale of intangible fixed assets	**(4,260)**	981
Grants release	**(1)**	(1)
Increase in stocks	**(272)**	(424)
(Increase)/decrease in debtors	**(809)**	102
Increase in creditors	**1,385**	1,270
Net cash inflow from operating activities	**2,302**	5,122
CASH FLOW STATEMENT		
Net cash inflow from operating activities	**2,302**	5,122
Returns on investments and servicing of finance (note 24)	**(2,424)**	(1,381)
Capital expenditure and financial investment (note 24)	**(14,998)**	(12,961)
Cash outflow before financing	**(15,120)**	(9,220)
Financing (note 24)	**6,709**	8,750
Decrease in cash	**(8,411)**	(470)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 25)		
Decrease in cash in the period	**(8,411)**	(470)
Cash inflow from increase in debt	**(6,709)**	(8,590)
Change in net debt resulting from cash flows	**(15,120)**	(9,060)
Non-cash movement – hire purchase agreement	**-**	(1,768)
Movement in net debt in the period	**(15,120)**	(10,828)
Net debt at 1 July	**(14,505)**	(3,677)
Net debt at 30 June	**(29,625)**	(14,505)

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2001

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements set out on pages 24 to 43 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 2001. All subsidiaries are accounted for using acquisition accounting.

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. In accordance with Financial Reporting Standard Number 15 the group will 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.

1 *ACCOUNTING POLICIES* (Continued)

(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 tax

Deferred tax is provided using the full provision method following the Group's early adoption of Financial Reporting Standard Number 19. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, discounted to reflect the time value of money.

The Group previously accounted for deferred tax using the liability method on all timing differences which were expected to reverse in the foreseeable future.

2 TURNOVER

Turnover in respect of the five business operations comprised:	**2001**	2000
	£000	£000
Professional football	**21,681**	19,809
Multimedia and communications	**9,904**	9,228
Merchandising	**7,718**	5,650
Stadium enterprises	**1,478**	2,803
Youth development	**1,226**	1,089
	42,007	38,579

In the year to 30 June 2001 the catering operation included within Stadium enterprises was subcontracted to Sodexho, which resulted in a decline in turnover.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2001

3 OPERATING EXPENSES

		2001 £000	2000 £000
Operating expenses include the following charges:			
Auditors' remuneration	: audit fees	**20**	20
	: other fees	**11**	17
	: fees paid to associated companies	**-**	31
Staff costs (Note 5)		**25,903**	20,167
Depreciation (Note 12)		**1,128**	1,128
Operating lease payments – land and buildings		**198**	115

4 EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses in the year to 30 June 2000 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

	2001 £000	2000 £000
Wages and salaries	**22,525**	17,604
Social security costs	**2,665**	2,002
Other pension costs	**713**	561
	25,903	20,167
Comprised, in respect of the business operations as follows:		
Professional football and youth development	**22,205**	16,035
Other business operations	**3,698**	4,132

	Number	Number
Average number employed in the year:		
Professional football and youth development	**157**	147
Other business operations	**224**	297
	381	444

6 DIRECTORS' EMOLUMENTS

Details of directors' emoluments are included within the Report of the Remuneration Committee on pages 20 and 21.

7 PENSION COSTS

The assets of the Group pension scheme are held separately from those of the Group. During the year the administration of the Group pension scheme was transferred from the Prudential Life Assurance Company to The Standard Life Assurance Company.

Contributions made by the Group to the scheme during the year amounted to £98,086 (2000 - £88,399). Contributions of £Nil (2000 - £Nil) were payable to the fund at the year end.

8 INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges comprised:	**2001**	2000
	£000	£000
On bank loans and overdrafts wholly repayable within five years	**521**	245
Other loans	**1,238**	553
On hire purchase contracts	**66**	50
	1,825	848

9 TAX ON ORDINARY ACTIVITIES

	2001	2000
	£000	£000 (as restated)
(a) Analysis of credit in period		
Current tax:		
UK corporation tax (below)	-	-
Deferred tax: (Note 16)		
Origination and reversal of timing differences	**(3,680)**	(2,086)
Movement in discount	**613**	57
	(3,067)	(2,029)
Tax credit on ordinary activities	**(3,067)**	(2,029)

(b) Factors affecting tax credit for period:

The corporation tax assessed for the year is different from the standard rate of corporation tax in the United Kingdom of 30% (2000: 30%). The differences are explained below:

	2001	2000
	£000	£000 (as restated)
Loss on ordinary activities before tax	**(11,190)**	(5,985)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2000: 30%)	**(3,357)**	(1,796)
Effects of:		
Expenses not deductible for tax purposes	**44**	66
Capital allowances for period in excess of depreciation	**(280)**	(442)
Untaxed income	**(341)**	(305)
(Decrease)/increase in general provisions	**(259)**	188
Losses created in year	**4,193**	2,289
Current corporation tax charge for year	-	-

No provision for corporation tax is required in respect of the year ended 30 June 2001. Estimated tax losses available for set-off against future trading profits amount to approximately £26,000,000 (2000 - £11,500,000). 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 £599,400 (2000: £599,400) reflects the dividend of 6% (inclusive of tax credit) payable on 31 August 2001 to those holders of Convertible Cumulative Preference Shares on the share register at 10 August 2001.

11 LOSS PER SHARE

The loss per share has been calculated by dividing the loss for the period by the weighted average number of ordinary shares (29.25 million, 2000: 29.14 million) in issue during the year. Diluted loss per share has been calculated by dividing the loss for the period by the total weighted average number of Ordinary and Preference shares (total 47.75 million, 2000: 47.64 million) in issue during the year ended 30 June 2001 assuming the exercise of all outstanding share purchase options (Note 21).

12 FIXED ASSETS - TANGIBLE ASSETS

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

	Freehold Land and Buildings £000	Plant and Vehicles £000	Fixtures, Fittings and Equipment £000	Total £000
Cost				
At 1 July 2000	36,300	2,853	12,333	51,486
Additions	286	158	595	1,039
At 30 June 2001	**36,586**	**3,011**	**12,928**	**52,525**
Accumulated Depreciation				
At 1 July 2000	21	468	4,244	4,733
Charge for year	21	161	946	1,128
At 30 June 2001	**42**	**629**	**5,190**	**5,861**
Net Book Value				
At 30 June 2001	**36,544**	**2,382**	**7,738**	**46,664**
At 30 June 2000	36,279	2,385	8,089	46,753

Freehold Land and Buildings are net of grants received of £2,999,000 (2000: £2,999,000).

The net book value of plant and vehicles includes £1,623,000 (2000: £1,703,000) in respect of assets held under hire purchase contracts. Depreciation charged on these assets in the year ended 30 June 2001 amounted to £80,000 (2000: £65,000).

13 FIXED ASSETS - INTANGIBLE ASSETS

	2001	*2000*
	£000	£000
Group and Company		
Cost		
At 1 July	**34,053**	26,592
Additions	**21,890**	16,070
Disposals	**(5,861)**	(8,609)
At 30 June	**50,082**	34,053
Amortisation		
At 1 July	**15,014**	13,054
Charge for year	**9,604**	7,203
Provision for impairment	**4,892**	-
Disposals	**(3,534)**	(5,243)
At 30 June	**25,976**	15,014
Net Book Value		
At 30 June	**24,106**	19,039

The net gain on sale of player registrations in the year was £4,260,000 (2000: £981,000 loss).

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 and are all included in the consolidated financial statements. The information above has been extracted from their financial statements for the year ended 30 June 2001.

The Company also holds an investment of 8.33% in the equity share capital of The Scottish Premier League Limited, a company registered in Scotland.

15 STOCKS

	2001	2000
	£000	£000
Group and Company		
Goods for resale	**1,228**	943
Consumables	**-**	13
	1,228	956

16 DEFERRED TAX ASSET

During the year, the Company adopted Financial Reporting Standard Number 19 - Deferred Tax. Based on the forecast profitability of the Group, it is expected that the tax losses available to the Group to carry forward will be utilised in the near future to reduce current taxation. Accordingly, a deferred tax asset has been recognised. All movements on the deferred tax asset as noted below have been credited to the profit and loss account as part of the tax credit for the year (Note 9).

The deferred tax asset, assuming a tax rate of 30%, can be analysed as follows:

	2001		2000	
	£000	**£000**	£000	£000 (as restated)
Gross:				
Accelerated capital allowances	**(2,939)**		(2,515)	
Short term timing differences	**-**		261	
Losses	**7,985**		3,620	
		5,046		1,366
Discount:				
Accelerated capital allowances	**1,974**		1,802	
Short term timing differences	**-**		(13)	
Losses	**(1,340)**		(542)	
		634		1,247
At 30 June		**5,680**		2,613

The movement in the deferred tax asset comprises:

	2001 £000	2000 £000
At 1 July	**2,613**	584
Credit to profit and loss account (Note 9)	**3,067**	2,029
At 30 June	**5,680**	2,613

Included in the Statement of Total Recognised Gains and Losses is an amount of £584,000 in respect of the movement in the deferred tax asset for years ended 30 June 1999 and earlier.

The deferred tax asset is recoverable after one year.

17 DEBTORS

Debtors comprised:	**2001 Group £000**	2000 Group £000	**2001 Company £000**	2000 Company £000
Trade debtors	**2,276**	2,044	**2,215**	2,034
Advance corporation tax	**250**	250	**250**	250
Other debtors	**100**	200	**100**	200
Prepayments and accrued income	**1,953**	1,571	**1,953**	1,571
	4,579	4,065	**4,518**	4,055

Included in trade debtors is an amount of £750,000 (2000: £1,020,000) 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.

18 CREDITORS - amounts falling due within one year

Creditors comprised:	**Group 2001 £000**	Group 2000 £000	**Company 2001 £000**	Company 2000 £000
Loan instalments	**27**	27	**27**	27
Bank overdraft	**7,323**	-	**7,561**	-
Other loans	**182**	184	**182**	184
Trade creditors	**5,112**	4,765	**5,112**	4,763
Other taxation and social security	**3,170**	2,094	**3,121**	2,094
Proposed preference dividend	**599**	599	**599**	599
Other creditors	**495**	593	**495**	593
Accruals	**2,714**	3,700	**2,714**	3,701
Due to subsidiary undertaking	**-**	-	**203**	390
Obligations under hire purchase agreements	**444**	353	**444**	353
	20,066	12,315	**20,458**	12,704

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 £4,251,000 (2000: £3,000,000) in respect of instalments due for the acquisition of player registrations.

The reduction in accruals mainly reflects accrued exceptional operating expenses at 30 June 2000 which were paid in the year.

19 INCOME DEFERRED LESS THAN ONE YEAR

Group and Company

	2001 £000	2000 £000
Deferred income	**10,447**	8,333

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.

20 CREDITORS – amounts falling due after more than one year

Group and Company	2001 £000	2000 £000
Loan instalments	**21,029**	14,054
Accruals	**36**	56
Obligations under the hire purchase agreement	**707**	1,062
	21,772	15,172

Group and Company		
The loan instalments are repayable in instalments as follows:	**2001 £000**	2000 £000
In one year or less	**27**	27
Between one and two years	**27**	27
Between two and five years	**2**	27
In more than five years	**21,000**	14,000
	21,056	14,081

Loans repayable by instalments include bank loans of £21m. These loans bear interest at London Inter-Bank Offered Rate plus 1.125%. These loans are repayable in equal quarterly instalments from October 2009 until April 2019 and £14.6m is repayable in July 2019. The Company has the option to repay the loans earlier than these dates without penalty. The loans are secured over Celtic Park.

Group and Company	2001 £000	2000 £000
Obligations under the hire purchase agreement are repayable in instalments as follows:		
In one year or less	**444**	353
Between one and five years	**707**	1,062
	1,151	1,415

The hire purchase creditor is secured over the asset concerned.

21 SHARE CAPITAL

Group and Company	Authorised 2001 No.'000	Authorised 2000 No.'000	Allotted, called up and fully paid 2001 No.'000	Allotted, called up and fully paid 2001 £000	Allotted, called up and fully paid 2000 No.'000	Allotted, called up and fully paid 2000 £000
Equity						
Ordinary shares of 1p each	**35,000**	35,000	**29,250**	**292**	29,250	292
Non-equity						
Convertible Cumulative Preference shares of 60p each	**21,000**	21,000	**18,500**	**11,100**	18,500	11,100
	56,000	56,000	**47,750**	**11,392**	47,750	11,392

Each Preference Share of 60p carries the right, subject to the availability of distributable profits and the priority accorded to the new Convertible Preferred Ordinary Shares, 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. Following amendments to the Company's Articles of Association approved at the Extraordinary General Meetings of the Company on 31 July 2001, holders of Preference Shares of 60p are entitled on or at any time after 30 June 2001 to convert each Preference Share into one Ordinary Share of 1p and 59 deferred shares of 1p each. The Ordinary Shares of 1p each arising on conversion rank pari passu in all respects with the existing Ordinary Shares of 1p each. The deferred shares are non-transferable, carry no voting rights, no class rights and have no valuable economic rights. At the balance sheet date no conversion notices had been received. As at 17 August 2001 the latest practicable date before publication, conversion notices had been received in respect of 1,155,986 Preference Shares.

Under the Celtic plc Executive Share Option Scheme directors and 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. On 24 April 1997 certain employees were granted options over Ordinary Shares of 1p each at the market value on that date of £3. At the balance sheet date options over 100,000 Ordinary Shares of 1p each were in existence. These options are exercisable at any time between 24 April 2000 and 24 April 2007.

The market price of the shares at 30 June 2001 was 119p (2000: 235p). The price range during the year was 119p to 235p.

Details of directors' share options are included within the Remuneration Committee Report on pages 20 and 21.

22 RESERVES

The movement of reserves during the year was as follows:

	Group Share Premium Account £000	Group Profit and Loss Account £000	Company Share Premium Account £000	Company Profit and Loss Account £000
At 1 July 2000 - as reported	17,519	7,257	17,519	6,851
Prior year adjustment	-	2,613	-	2,613
At 1 July 2000 - as restated	17,519	9,870	17,519	9,464
Loss for the year	-	(8,123)	-	(8,179)
Dividends	-	(599)	-	(599)
At 30 June 2001	**17,519**	**1,148**	**17,519**	**686**

The Company's loss for the financial year is £8,179,000 (2000: £4,054,000 as restated).

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2001 £000	2000 £000 (as restated)
At 1 July - as reported	**36,168**	42,592
Prior year adjustment	**2,613**	584
At 1 July - as restated	**38,781**	43,176
Movements in year:		
Retained loss for the financial year	**(8,722)**	(4,555)
Share capital issued in the year	-	2
Share premium arising in the year	-	158
	(8,722)	(4,395)
At 30 June	**30,059**	38,781

At 30 June 2001 Shareholders' Funds included £11,100,000 (2000: £11,100,000) which is attributable to non-equity shareholders. This relates entirely to Preference Shares.

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

	2001 £000	2000 £000
Returns on investments and servicing of finance		
Preference dividend paid	**(599)**	(533)
Interest paid	**(1,759)**	(798)
Interest element of hire purchase payments	**(66)**	(50)
Net cash outflow from returns on investments and servicing of finance	**(2,424)**	(1,381)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(1,070)**	(2,264)
Payments to acquire intangible fixed assets	**(20,783)**	(12,481)
Proceeds from sales of intangible fixed assets	**6,855**	1,784
Net cash outflow from capital expenditure and financial investment	**(14,998)**	(12,961)
Financing		
Loans received	**7,000**	8,997
Loan instalments paid	**(27)**	(54)
Capital element of hire purchase payments	**(264)**	(353)
Issue of share capital	-	160
Net cash inflow from financing	**6,709**	8,750

25 ANALYSIS OF NET DEBT

	At 1 July 2000 £000	Cash Flow £000	Other Non-Cash Movements £000	At 30 June 2001 £000
Cash at bank and in hand	1,175	(1,088)	-	**87**
Overdrafts	-	(7,323)	-	**(7,323)**
	1,175	(8,411)	-	**(7,236)**
Debt due within 1 year	(211)	27	(25)	**(209)**
Debt due after 1 year	(14,054)	(7,000)	25	**(21,029)**
Hire purchase creditor	(1,415)	264	-	**(1,151)**
	(15,680)	(6,709)	-	**(22,389)**
Net debt	(14,505)	(15,120)	-	**(29,625)**

26 CAPITAL AND OTHER FINANCIAL COMMITMENTS

	2001 £000	2000 £000
a. Capital commitments		
Authorised and contracted for:	**1,386**	1,735

b. Other commitments

At 30 June 2001 the Company had annual commitments under operating leases as follows:

	Land & Buildings 2001 £000	Land & Buildings 2000 £000	Other 2001 £000	Other 2000 £000
Expiry date:				
Within 1 year	-	-	-	-
Between 1 and 5 years	-	-	**26**	25
In more than 5 years	**325**	204	-	-

c. 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 at 30 June 2001 could result in an amount payable of £1,294,375 (2000: £653,000), of which £869,375 could arise within one year and amounts receivable of £135,000 (2000: £535,000), all of which could arise within one year.

d. Cross guarantees

Cross guarantees exist between the Company and its subsidiary undertakings. The extent of these at 30 June 2001 was £Nil (2000: £Nil).

27 FINANCIAL INSTRUMENTS

Details of the financial instruments of the Group during the financial year ended 30 June 2001, 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 (2000: £Nil).

The bank loans and overdraft bear interest at LIBOR plus 1.125% and base rate plus 1.0% respectively, as was the case in the year ended 30 June 2000. The Company also has the ability to utilise up to £8m of the loan facility by way of acceptance credits. 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 current or previous accounting periods, used financial instruments for hedging purposes.

The maturity profile of the Group's financial liabilities at 30 June 2001 and 30 June 2000 is disclosed in notes 18 and 20.

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

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

Of the available bank facilities of £46.5m (2000: £31.5m), of which £21.0m is represented by long term loans and £25.5m by overdraft, £18.2m (2000: £17.5m) remains undrawn at the balance sheet date as follows:

	2001	2000
	£000	£000
Loans repayable in more than five years	-	7,000
Overdraft repayable on demand	**3,200**	10,500
Additional facility guaranteed by Dermot Desmond (Note 29)	**15,000**	-
	18,200	17,500

The additional facility expired following the receipt of £22.5m from the Offer for Subscription of Convertible Preferred Ordinary Shares of £1 each and the bank facility was increased by £4.5m to £36m.

28 PRIOR YEAR ADJUSTMENT

As a result of the adoption of Financial Reporting Standard Number 19 - Deferred Tax, a prior year adjustment has been made in respect of the recognition of a deferred tax asset. This adjustment has resulted in a reduction in the current year's loss of £3,067,000 (2000: £2,029,000). A deferred tax asset of £5,680,000 has increased net assets at 30 June 2001 by this amount (2000: £2,613,000). Analysis of the deferred tax asset is included in Note 16.

The directors consider the adoption of this policy gives a fairer presentation of the results for the year and of the financial position of the Group. The comparative figures in the primary statements and notes have been restated to reflect the adoption of the policy.

29 *TRANSACTIONS WITH RELATED PARTIES*

Save as disclosed below, no director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company and remains in any respect outstanding or unperformed.

On 9 November 2000 Dermot Desmond guaranteed to the Co-operative Bank the payment of £15 million of the Company's debt facility arranged with the Co-operative Bank. This guarantee provided comfort to the Co-operative Bank to increase Celtic's then existing bank facilities. Dermot Desmond received no fee for the provision of this guarantee. Celtic met the legal costs incurred in relation to the guarantee. The Directors are satisfied that the guarantee was otherwise issued on normal commercial terms on an unsecured basis. Additionally, Dermot Desmond undertook to provide a guarantee in the amount of £15,000,000 less the proceeds of the Offer for Subscription of Convertible Preferred Ordinary Shares to the Company's bankers in order that they would provide the Group with additional borrowing facilities for an amount equal to £15 million less the proceeds from the Offer. On 31 July gross proceeds of £22.52m were received from the Offer for Subscription and the guarantee and undertaking as noted above have been extinguished.

30 POST BALANCE SHEET EVENTS

a. *Convertible Preferred Ordinary Shares*

At an Extraordinary General Meeting of the Company held on 31 July 2001, the members approved an increase of £20,000,000 in the authorised share capital of the Company, by the creation of 20,000,000 new Convertible Preferred Ordinary Shares of £1.

Pursuant to the Offer for Subscription for such shares, which was also approved by the members at that meeting, 18,012,448 new Convertible Preferred Ordinary Shares, having a total nominal value of £18.01m, were issued to subscribers at an offer price of £1.25 per share.

The authorised, allotted, called up and fully paid share capital of the Company following the Offer for Subscription and as at 17 August 2001 (the last practicable date prior to publication of this document) is as follows:

	Authorised		Allotted, called up and fully paid	
	Number	£	Number	£
Ordinary Shares of 1p	35,000,000	350,000	29,250,000	292,500
Preference Shares of 60p*	21,000,000	12,600,000	18,500,000	11,100,000
Convertible Preferred Ordinary Shares of £1	20,000,000	20,000,000	18,012,448	18,012,448
Total	76,000,000	32,950,000	65,762,448	29,404,948

*Convertible into Ordinary Shares, from 30 June 2001. Figures are stated before conversion (see note 21).

Each Convertible Preferred Ordinary Share carries, in priority to the rights of the holders of any other class of shares, the right to payment of a fixed cumulative preferential cash dividend at the rate of 4% per year applied to the amount subscribed for. This dividend accrues from day to day and is payable annually in arrears on 31 August in each appropriate year until 31 August 2007. However, the first payment of this dividend and the additional dividend referred to below, will be calculated to 30 June 2004 and will be due to be paid, subject to the availability of distributable profits, on 31 August 2004 and thereafter annually until 31 August 2007.

An additional dividend is also payable on Convertible Preferred Ordinary Shares by reference to the success of the first team in the UEFA Champions League. This additional amount ranges from an additional 2% of the offer price per share if the first team progresses to the final sixteen of the Champions League up to a maximum additional amount of 6% of the offer price per share, on achieving the semi-finals in the competition.

30 POST BALANCE SHEET EVENTS *(continued)*

On 31 August 2007, the Convertible Preferred Ordinary Shares will convert into Ordinary Shares and deferred shares. The number of Ordinary Shares and deferred shares to which a holder of Convertible Preferred Ordinary Shares is entitled on conversion is determined by reference to the middle market price of Ordinary Shares in the three dealing days immediately prior to conversion, in accordance with the formula stated in the Company's Articles of Association and also takes account of any dividends which have accrued on the Convertible Preferred Ordinary Shares but which are unpaid as at the conversion date.

b. Capital Expenditure

Since the balance sheet date further capital expenditure on intangible assets of £6.97m 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 three years, including the club's direct contribution to over £700,000.

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.

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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 past year, Celtic Charity Fund has made donations to a number of organisations in respect of the club's commitment to supporting children's needs. As principal beneficiaries of The Celtic Charity Fund Sporting Dinner, the Children's Hospice Association Scotland received a significant donation from Celtic Charity Fund. CHAS is currently running a fund-raising appeal to build a new hospice in Balloch and the Fund is delighted to be able to assist.

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.

Aberlour Child Care Trust was the principal beneficiary of Green Nose Day. The charity currently have a project based in the East End of Glasgow which involves working with women and children who are experiencing alcohol and drugs problems. In addition they are in the process of setting up a project to tackle the high incidence of runaways in Scotland, which will also be based in the East End of Glasgow. The Aberlour Trust has been in existence for nearly 125 years and the Charity Fund is delighted to support such worthwhile projects.

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. In addition the Charity Fund was delighted to continue to support the anti-bigotry organisation Nil By Mouth.

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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.

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Celtic Charity Fund

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If you wish to support Celtic Charity Fund in 2001/2002, please send donation to:

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

29 TRANSACTIONS WITH RELATED PARTIES

Save as disclosed below, no director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company and remains in any respect outstanding or unperformed.

On 9 November 2000 Dermot Desmond guaranteed to the Co-operative Bank the payment of £15 million of the Company's debt facility arranged with the Co-operative Bank. This guarantee provided comfort to the Co-operative Bank to increase Celtic's then existing bank facilities. Dermot Desmond received no fee for the provision of this guarantee. Celtic met the legal costs incurred in relation to the guarantee. The Directors are satisfied that the guarantee was otherwise issued on normal commercial terms on an unsecured basis. Additionally, Dermot Desmond undertook to provide a guarantee in the amount of £15,000,000 less the proceeds of the Offer for Subscription of Convertible Preferred Ordinary Shares to the Company's bankers in order that they would provide the Group with additional borrowing facilities for an amount equal to £15 million less the proceeds from the Offer. On 31 July gross proceeds of £22.52m were received from the Offer for Subscription and the guarantee and undertaking as noted above have been extinguished.

30 POST BALANCE SHEET EVENTS

a. Convertible Preferred Ordinary Shares

At an Extraordinary General Meeting of the Company held on 31 July 2001, the members approved an increase of £20,000,000 in the authorised share capital of the Company, by the creation of 20,000,000 new Convertible Preferred Ordinary Shares of £1.

Pursuant to the Offer for Subscription for such shares, which was also approved by the members at that meeting, 18,012,448 new Convertible Preferred Ordinary Shares, having a total nominal value of £18.01m, were issued to subscribers at an offer price of £1.25 per share.

The authorised, allotted, called up and fully paid share capital of the Company following the Offer for Subscription and as at 17 August 2001 (the last practicable date prior to publication of this document) is as follows:

	Authorised		Allotted, called up and fully paid	
	Number	**£**	**Number**	**£**
Ordinary Shares of 1p	35,000,000	350,000	29,250,000	292,500
Preference Shares of 60p*	21,000,000	12,600,000	18,500,000	11,100,000
Convertible Preferred Ordinary Shares of £1	20,000,000	20,000,000	18,012,448	18,012,448
Total	76,000,000	32,950,000	65,762,448	29,404,948

*Convertible into Ordinary Shares, from 30 June 2001. Figures are stated before conversion (see note 21).

Each Convertible Preferred Ordinary Share carries, in priority to the rights of the holders of any other class of shares, the right to payment of a fixed cumulative preferential cash dividend at the rate of 4% per year applied to the amount subscribed for. This dividend accrues from day to day and is payable annually in arrears on 31 August in each appropriate year until 31 August 2007. However, the first payment of this dividend and the additional dividend referred to below, will be calculated to 30 June 2004 and will be due to be paid, subject to the availability of distributable profits, on 31 August 2004 and thereafter annually until 31 August 2007.

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30 POST BALANCE SHEET EVENTS (continued)

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