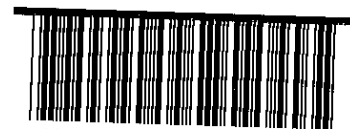


Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2002



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Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2002

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Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2002

HIGHLIGHTS OF THE RESULTS

- Winners of the Scottish Premier League.
- Profit from operations of £5.37m (2001: £0.87m).
- Loss on ordinary activities before taxation of £2.97m (2001: £11.19m).
- Turnover increased by 35.4% to £56.89m (2001: £42.01m) with increases in all major revenue streams.
- £14.62m spent on player acquisitions in the year including signing of 5 new players.
- Operating expenses increased to £51.52m (up by 25.2%) predominantly due to increases in labour costs including the award of contract extensions to key players.
- Year-end debt £16.47m (2001: £29.62m).
- Gross proceeds of £22.52m raised from the issue in July 2001 of Convertible Preferred Ordinary Shares.

Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2002

DIRECTORS, OFFICERS AND ADVISERS

Directors

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

* Independent Non-Executive Director

Company Secretary

Robert M Howat

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 (Financial Director)
James P Hone (Director, Business Operations and Resources)
John S Keane*
Michael A McDonald*
Kevin Sweeney*

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
29 Gordon Street
Glasgow, G1 3PF

Remuneration Committee

Dermot F Desmond (Chairman)*
Brian Quinn CBE*
Sir Patrick Sheehy*
Thomas E Allison*

Audit Committee

Sir Patrick Sheehy (Chairman)*
Dermot F Desmond*
Kevin Sweeney*
Thomas E Allison* (part)
Brian Quinn CBE* (part)

Nomination Committee

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

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

The year just ended presented a succession of challenges for Celtic, on and off the football field. On the whole, I believe we met these challenges, recording successes in both spheres.

The financial environment for football as a whole deteriorated further during the period. The pressures on media companies in the current subdued phase of the economic cycle made it clear that income to football companies world-wide from this source was likely to decline in the near future. Contractual commitments earlier entered into by clubs on the basis of continuing media revenue effectively locked players' wages into an upward trend as the major element of expense; and many clubs both in Scotland and England have experienced serious financial difficulties as a result. A process of adjustment to the changed conditions has commenced but, undoubtedly, there is more to come. Until such time as the economics of football return to a more sustainable environment, the share prices of quoted football clubs can be expected to remain depressed.

The situation in Scotland differs from that in England and other European countries in two important respects: first, Scottish Premier League clubs' income from media contracts generally represents a smaller proportion of their total revenues than their counterparts elsewhere; secondly, the expiry of the existing contracts at the close of last season gave Scottish clubs less time to adjust to the changing media climate.

In these circumstances it is hardly surprising that tensions arose within the Scottish Premier League. Nor should it be surprising that Celtic explored suggestions that they might consider joining the Nationwide Football League along with Rangers. In the event, this possibility did not develop beyond an exploratory stage.

I believe the factors which prompted us to explore such possibilities will not disappear; and we will continue to be receptive to structural change which offers advantages to our supporters and shareholders, while maintaining our stance of not abandoning Scottish football. How these objectives are reconciled is, of course, a challenge. We nevertheless continue to believe it can be done, with goodwill on all sides.

On the field, Celtic won the Scottish Premier League for the second successive season, the first time we had achieved this in 20 years. The Championship was won with only one loss in 38 games, with a record number of points and in front of an average home league attendance of over 58,000 spectators. We reached the semi-final and final of the Scottish League and Scottish FA cups respectively. Our first ever participation in the UEFA Champions' League was exciting and promising, winning all of our home games and only narrowly failing to proceed to the second stage. Particular mention must be made of Martin O'Neill's exceptional contribution to our football success. We will make every effort to renew his contract.

The financial benefits arising from our successes domestically and in Europe allowed us to improve significantly our financial performance in a number of ways.

Turnover rose by over one-third and multi-media revenues by almost two thirds in comparison to the previous year. Profit from operations rose from under £1 million in 2000/2001 to over £5 million in the year just ended; after accounting for the net costs of player trading the loss before taxation was reduced from over £11 million to under £3 million; net assets, benefiting from the successful share issue last summer, rose from £30 million to just over £47 million and net debt fell from around £30 million to £16.5 million.

Further investment was made in the playing squad, and expenditure on player remuneration and youth development increased by over 25%. Football labour costs at 49.2% of total turnover continue to be well below the average of the sector. Nevertheless we recognise the need to control our player costs going forward.

Looking ahead, we believe we can maintain the progress in carrying forward the strategy for the club determined by the Board two years ago. Success in domestic competition remains fundamental and we hope that participation in the Champions' League will allow us to continue the work of strengthening our football infrastructure, our business base and our finances.

Finally, my thanks go to our supporters and to our footballers for a successful and exciting year. Celtic is a unique football family with aspirations to match our traditions.

Brian Quinn CBE
Chairman

6 August 2002

Celtic plc

CHIEF EXECUTIVE'S REVIEW

Introduction

The on field performance of Celtic continued successfully during the course of last year. Domestically, we reached the semi final of the League Cup, the final of the Scottish Cup and most importantly, gained 103 points in the Scottish Premier League, retaining the Championship as a result. The retention of the title was greatly assisted by the team's form at Celtic Park, where we remained undefeated in all our League games.

Success has been particularly important this year, as it provides us with the only Scottish opportunity to qualify and subsequently participate in the group stages of the UEFA Champions' League. Such participation motivates the team, stimulates the support and provides the Club with much needed incremental income.

Last year's performance was very encouraging, remaining undefeated at Celtic Park in the first group stage and narrowly missing qualification for the second group stage of the Champions' League. We were also unfortunate in our UEFA Cup tie with Valencia, losing on penalties to a side who had competed in the previous two Champions' League finals.

Financial Performance

Integral to Celtic's strategy has been the belief that success on the football field will drive turnover improvements in all other areas of the Company. This belief has been borne out by the results for the full year. Turnover rose substantially to £56.89m; an increase of 35.4% on the previous year.

The buoyant turnover performance resulted in an encouraging increase in profit from operations to £5.37m against a figure of only £0.87m for the previous financial year. The reported loss before tax is £2.97m, which is also a significant improvement on the previous year, where an £11.19m loss before tax was declared.

Further financial improvement has also been seen in the reduction of Celtic's indebtedness. As at 1 July 2001, the net debt at Celtic was almost £30m. This was within the structure of our financial arrangements but was nonetheless higher than was desirable. During the financial year, we have managed our debt position carefully and at 30 June 2002, it stood at £16.47m, a year on year reduction of 44%. Our financial management has therefore made strong progress in a high cost, high inflation market.

Football Investment

In order to maintain our on field success, we have continued to invest in the first team squad. Five new players were acquired, namely Balde, Guppy, Sylla, Hartson and latterly Fernandez. The gross investment cost this year in the acquisition of players equates to £12.11m. A further £2.50m investment was made in follow-up capital payments due against players acquired in previous years.

It is also important to recognise that the trend in football following the Bosman ruling is to re-negotiate and extend contracts to players important to the team in order that we retain players of calibre. Consistent with this approach, the Club successfully concluded contract extension discussions with Agathe, Boyd, Crainey, Lambert, Larsson and Petta; all of whom are important contributors to the first team squad.

Our strong football investment policy has contributed to a rise in overall labour costs of 26.4% to £32.74m. This represents 57.6% of turnover, which confirms the intent of the Celtic Board to retain a controlled ratio between wage cost and total income. Nonetheless, the ability to field a competitive side and retain control on costs remains a constant challenge.

This situation is symptomatic of the increased level of investment undertaken in recent years in relation to both increases in player pay and the transfer fees paid to acquire calibre players. The latter investment cost is written down in equal proportion throughout the length of individual players' contracts and has a substantial impact in eroding profit from operations generated in the year.

Football Operations

For the commencement of season 2001/2002, Celtic applied an average season ticket price rise of 20%. Whilst prices had remained static for the previous two seasons, such a position could not be maintained if we were to continue our player investment strategy.

It was recognised that this placed significant additional burden on our supporters and to their credit, they renewed tickets in line with the previous year with a total of 53,457 supporters purchasing season tickets. We are grateful for their continued support.

Our Champions' League games provided further opportunity to grow ticket sales and the combination of the ticket price rise and Champions' League participation, led to a 27.8% overall increase in football revenue to £27.72m.

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CHIEF EXECUTIVE'S REVIEW

It was recognised that supporters had to pay a substantial premium to renew their domestic season ticket. As a result, ticket prices for the qualifying tie and those for the first group stage of the Champions' League were offered at affordable levels. In addition, discounts were offered if a supporter purchased a ticket package to incorporate all three Champions' League home games. This approach resulted in a virtual sell-out for each of the three home matches.

Youth Development

Youth Development is an important part of Celtic's strategy for the future with 45 professional players up to the age of 21 under contract.

12 Under-21 players played for the first team, 5 of them competitively within domestic competition, gaining almost 60 appearances amongst them.

Our strength in depth was further evidenced by winning the SPL Under-21 trophy as well as the League Championship and also coming runner up in the Under-18 League.

However, we are still looking to improve further in this area. We have recruited John Stephenson, formerly Head of Youth Development at Preston North End, to support Tommy Burns in improving our scouting and coaching network. The number of Celtic scouts has been trebled in the last twelve months and is set to grow further.

Our training facilities at Barrowfield have been enhanced with the addition of two further training pitches with further plans to improve the building infrastructure.

We also have Celtic Youth teams at U-12, U-13, U-14 and U-15, selected throughout the country with a view to developing their skills and assessing their potential as future professionals. A number of new coaching appointments were made during the year to improve management within this area.

It has been important for Celtic to develop and improve its Youth Development infrastructure and this has been the priority for this financial year. Options for a purpose-built Training Academy are currently being considered.

Youth Development is a sizeable investment for the Club and a significant contribution to its cost emanates from Celtic Development Pools donations. Celtic Pools has over 1,000 agents collecting weekly contributions from 38,000 supporters.

Both the Pools and the half-time draw are the most successful football schemes of their kind throughout Great Britain, which is a very positive result in a market now dominated by the National Lottery.

Stadium Development

Included in the total season ticket sales are 2,943 corporate hospitality purchases. Celtic Park provides matchday catering in twelve different lounges and dining facilities in addition to a series of corporate boxes. A further dining facility ("Number 7") for the premium end of the market was added during the course of the financial year.

Standards of service and quality of catering have been a constant source of attention. Improvements have been made and it is our intention to maintain a good standard in each of these areas. There are further plans to improve levels of food service within concourse catering and focus will also be placed on increasing non-matchday sales to grow income further.

Multi Media

Multi media income grew by 63.7% to £16.22m.

Champions' League participation provided an opportunity for Celtic to significantly increase its media income through our share of the UEFA TV pool. This was a most welcome contribution to income but regrettably the level of income is not solely based on success within the competition but is driven by population size and TV audience within the home country. As a result, Olympique Lyonnais earned triple the income from the TV pool in comparison to Celtic despite achieving the same number of league points within the competition. It is hoped that through the newly established UEFA Club Forum, there will be an opportunity to challenge this arrangement.

Our investment in new media continues with daily internet transmissions to supporters from our website. We have also launched a text messaging service providing supporters with the opportunity to receive game updates and news bulletins direct to their mobile phone. We continue to experiment with live game production and transmission on the Celtic website with a total of six games being transmitted during the course of the season. Celtic has also gained close to

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CHIEF EXECUTIVE'S REVIEW

200,000 registered users of the website in over 200 countries, indicating the scale and potential income source from an international supporter base. Research will continue this year to identify this potential more closely. This aspect of our fan base provides Celtic with a further potential income opportunity, provided new media rights are retained by the Club.

Merchandising

Merchandising grew by 30% within the year to £10.0m, predominantly driven by replica strip sales. The stores benefited from continued strong sales of the home top launched the previous year and the replacement away top launched last September. Internet and mail order sales reached almost £1m with room for further growth. However, we recognise that we need to continue to improve ease of website navigation and a new distribution facility at Celtic Park has also been developed to improve customer delivery times and the efficiency of store replenishment.

We also opened a new store in Edinburgh last November. A further store in Sauchiehall Street, Glasgow, opened in early July 2002, extending the total number of stores to nine.

New product ranges within the stores are also introduced regularly in order to grow sales of fashion items and casual wear. This has proved very successful with strong growth in both ladies and childrenswear during the year.

As part of our Brand Management plan, we also published and co-wrote the recent Lubo Moravcik biography, which to date has sold over 5,000 copies.

Summary

Since the Bosman ruling, transfer fees and player pay has seen substantial growth. Football clubs have seen very high cost inflation particularly if they wish to compete in European competition. Media income has helped reduce the impact of these cost rises but as the advertising and media market hardens, it has become increasingly difficult to rely on media income to continue as a guaranteed and growing source of revenue.

Celtic has therefore been faced with a rising cost base but has been successful in maintaining control over these costs, whilst still delivering on-field success.

The hardening of the media market was felt severely by the SPL during the course of the season, which included a feasibility study on the development of an independent pay television channel for Scottish football. It was appropriate to assess the potential of such a venture but the final analysis indicated high risk both to subscription levels expected and potential liabilities.

The resultant rejection of the concept has led to deep divisions within the SPL, which unfortunately remain unresolved. Celtic has a responsibility to Scottish football but we also have a duty to our shareholders and our supporters to act in the interests of Celtic Football Club.

To this end, we retain an open mind to discussions on structural change within Europe and recognise that the problems facing Scottish football are felt similarly in other smaller European countries also.

We remain optimistic that structural change will occur providing a more level playing field for football competition within Europe and further opportunities for the growth and future success of Celtic as a result.

People

I have great confidence in our team here at Celtic. At every level and in every area of this Club we are fortunate to have deeply committed and talented individuals who work above and beyond the call of duty to ensure our continuing success. This was one of the first things which impressed me when I joined Celtic and has continued to encourage me to think that, while we must always strive to improve and adapt to an ever-changing marketplace, we already have the strongest possible foundation in our workforce.

I would like to thank all the members of the Celtic team, both on and off the field for their individual contribution to the Club's performance.

Ian J W McLeod
Chief Executive

6 August 2002

Celtic plc

CELTIC CHARITY FUND

During the year Celtic Charity Fund, the charitable arm of Celtic Football Club raised approximately **£100,000** from which many worthy causes will benefit. This figure brings the total amount raised since the Charity Fund's formation, including the Club's direct charitable contributions, to over **£800,000**.

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.

In addition to the many cash donations which were made throughout the year, Celtic also donated hundreds of autographed shirts and footballs, complimentary tickets and a range of other items to numerous worthwhile charitable organisations. Club representatives also made a considerable number of visits to hospitals and to charity and community events.

Celtic Charity Fund has the following aims:

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

Celtic Charity Fund has identified three principal areas of support:

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

And three subsidiary areas:

- Supporting the homeless;
- Helping the unemployed;
- Support and research for projects aiding the afflictions of illness.

Organisations supporting children's needs were again at the forefront of Celtic Charity Fund's activity during the year.

The Make a Wish Foundation was the principal beneficiary of this year's Celtic Charity Fund Sporting Dinner. The charity was awarded a substantial donation to continue its work in helping to make the dreams of seriously ill children come true. Whether it is a child wishing for a new bike, a new computer or a trip to Disneyland, Make a Wish strives to ensure that the wishes of some very brave children can be granted.

Yorkhill Hospital's Schiehallion Unit for seriously ill children was treated to a Christmas Party attended by Celtic's first team squad and members of our football management team and a donation for several thousand pounds was presented towards the excellent work being undertaken at the Unit. Ronald McDonald House, a facility which provides a home from home for the parents of critically ill children and long term patients who are using Yorkhill Hospital, also benefited from a donation.

For the fourth successive year, Celtic Charity Fund was the principal sponsor of the famous Glasgow Taxis Outing Fund for Sick Children. Around 300 black cabs took around 800 children with special needs or from disadvantaged circumstances on the trip of a lifetime from Glasgow to Troon, with the colourful convoy making its way through the city and treating some very deserving children to a great day out.

Hopscotch Holidays was another very deserving charity which we were delighted to support during the year. The charity works closely with schools, community and voluntary organisations to provide country and seaside holidays for seriously disadvantaged children, who would otherwise have no opportunity to enjoy such a holiday.

The West of Scotland Football Club for the Physically Disabled has benefited from a donation of several thousand pounds. This is the only football club in Scotland which provides an opportunity for young people with special needs to play football. The team currently competes in an English League and the donation from Celtic Charity Fund will contribute to the team's continued participation in this League.

Over the last year, Celtic Charity Fund has again made donations to a number of homeless organisations. The street work charity Loaves & Fishes received a donation of several thousand pounds towards its excellent work in caring for Glasgow's homeless. The Glasgow Simon Community also received support from Celtic, presented at a Christmas Dinner for around 300 of the city's homeless people.

Celtic plc

CELTIC CHARITY FUND

Celtic's efforts to work against bigotry and our promotion of social inclusion continued throughout the year. The Club's joint working with Glasgow City Council continued to deliver our Youth Against Bigotry programme through schools and we continued to operate our Matchday Visit programmes at Celtic Park. Celtic Charity Fund also maintained its support of Sense over Sectarianism, the first project of its kind which aims to deliver funding to individuals working to change attitudes within their communities.

Through close co-operation with a number of organisations including Glasgow City Council and the Scottish Asian Sports Association, Celtic was pleased to continue its support of a number of multicultural initiatives. Probably the most notable of these was the UK Asian Soccer Championships, which again were staged at Celtic Park and sponsored by the Club.

Other organisations to benefit from support by Celtic Charity Fund during the year include Maggie's Cancer Centre, The Glasgow Pilgrimage for Handicapped Children, Crossroads for Carers, Parkhead Youth Project and St. Vincent's Hospice.

Celtic Football Club is committed to supporting the community and is proud that today it strives to honour the charitable objectives of the Club's founder Brother Walfred. Through its charitable arm the Club is already considering a number of worthwhile organisations for the coming year.

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

If you wish to support Celtic Charity Fund in 2002/2003, please send your donation to:

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

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.

FINANCIAL RESULTS

The Company's financial performance in the current year has been assisted by continued football success. Retaining the Scottish Premier League and qualifying for the first time for the first group stage of the UEFA Champions' League were both instrumental in turnover increasing by 35.4% to £56.89m. This is the eighth consecutive year in which turnover has increased. Operating expenses rose by 25.2% to £51.52m, predominantly due to increased labour costs. As a result, profit from operations of £5.37m compared favourably with £0.87m reported last year.

The net loss for the year after amortisation of intangible fixed assets, provision for impairment of intangible fixed assets, net gain on disposal of fixed assets, interest and tax amounted to £3.04m in comparison to a loss of £8.12m in 2001. Dividends of £1.30m are payable which provides a retained loss for the year of £4.34m (2001 - £8.72m).

TURNOVER

A summary of turnover per business operation is set out in Note 2 to the financial statements and a detailed analysis of performance of each operation is given in the Chief Executive's Report on pages 4-6.

A 35.4% increase in turnover from 2001, having played 27 home matches as last year, was very encouraging and continues the upward trend of previous years. All divisions reported turnover up on the previous year. Football operations and multimedia reported significant income growth of 27.8% and 63.7% respectively over 2001 levels.

The football operation turnover of £27.72m is up £6.03m on 2001 largely as a result of participation in the UEFA Champions' League and Third Round of the UEFA Cup and the uplift in the average ticket price of approximately 20%.

Multimedia revenues at £16.22m are £6.31m ahead of the levels achieved last year, primarily arising from Celtic's share of the UEFA Champions' League television pool revenues in comparison to the relatively disappointing UEFA Cup TV revenues achieved in 2001.

Merchandising also reported significant growth in the year, generating an increase of 29.6% over 2001 levels, predominantly as a result of the successful launch of a new away kit, the opening of the Edinburgh store in November 2001 and the operation for the full year of the Argyle Street store. Revenues in this area exceeded £10m for the first time.

Stadium revenues are 13.9% ahead of 2001, mainly as a result of the external contracts secured by Protectevent, with catering income remaining relatively static.

Youth Development also reported an increase in revenue of 4.1% from 2001, primarily from increased Visitor Centre sales.

OPERATING EXPENSES

Total operating expenses increased by £10.39m, which represents an uplift of 25.2% from the previous year. This was predominantly due to an increase in labour costs of £6.84m. Professional football and youth development increased by £5.79m, which is an uplift of 26.1% over the previous year. The increased costs are in the main a result of the significant planned investment to develop the core professional football operation. A substantial investment in the first team playing squad was made with five new players being acquired which increased base salary costs. In addition, extended contracts were entered into with Larsson, Agathe, Lambert, Mjallby, Petta, Crainey, Moravcik, Boyd, Smith and Lynch in respect of the financial year. Such additional costs, together with the bonuses payable following the first team's success in domestic competitions and in qualifying for the first group stage of the Champions' League, resulted in the reported increase.

However, with total labour costs representing 57.6% of turnover, the Board recognises the need to maintain strict control of wage inflation in an area that continues to cause concern throughout the worldwide football industry. In pursuing our investment strategy to sign and retain quality football players, the level of player salaries is likely to increase further. However, ongoing financial controls are in place to ensure that wage costs are maintained at a manageable level, particularly in relation to turnover.

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FINANCIAL DIRECTOR'S REPORT

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

AMORTISATION AND IMPAIRMENT OF INTANGIBLE FIXED ASSETS

The amortisation charge in the year of £8.81m represents a reduction of £790,000 in comparison to the year to 30 June 2001, largely due to the reduction in the opening net book value of player registrations following the impairment provisions incorporated in last year's financial statements. No impairment provision was necessary in the current year.

NET GAIN ON DISPOSAL OF INTANGIBLE FIXED ASSETS

The net gain on disposal of £1.47m includes the disposal of Berkovic, Burchill, Kerr and Tebily. Last year's gain of £4.26m reflected the sale of Viduka and Riseth, together with the crystallisation of contingent transfer fees in respect of certain players from previous years.

INTEREST PAYABLE

The interest payable for the year to 30 June 2002 of £897,000 is a reduction from the previous year of £928,000 and is largely due to the decline in the average debt balance over the year following the successful share issue in July 2001.

TANGIBLE FIXED ASSETS

The additions to tangible fixed assets in the year of £2.76m is represented mainly by the development of an enhanced training facility at Westhorn, the new Number 7 restaurant and merchandise warehouse at Celtic Park, new retail units in Glasgow and Edinburgh and the implementation of improved information technology systems including new ticketing and EPOS systems.

INTANGIBLE FIXED ASSETS

The increase in the net book value of intangible fixed assets from 30 June 2001 of £1.79m to £25.90m, reflects the increased investment in the playing squad of £12.11m less the net book value of disposals of £1.50m and an amortisation charge of £8.81m.

CREDITORS DUE WITHIN ONE YEAR

The reduction in creditors from 30 June 2001 largely reflects the reduction in the bank overdraft position to £Nil (2001 - £7.32m) and a reduction in the level of trade creditors mainly as a result of reduced amounts payable in respect of the acquisition of player registrations. A reduction is reported in taxation and social security as a result of the VAT on a comparatively lower level of season ticket income received pre year-end against 2001.

Increases are reported in other creditors and accruals as a result of capital accruals of £586,000 (2001 - £68,000) and player acquisition accruals of £1.58m (2001 - £1.15m) respectively.

The reduction in deferred income of £1.76m reflects the later launch of the season ticket campaign for Season 2002/2003 in comparison to last year and also the higher take up rate, and lower deposit values, of the direct debit instalment plan for payment.

CREDITORS DUE AFTER MORE THAN ONE YEAR

The decrease in creditors due after more than one year from 30 June 2001 reflects the reduction in amounts drawn down under the Company's £24m term loan facility at £16m in comparison to £21m at the same time last year. Repayments have also been made in respect of the hire purchase facility and other loans. The dividend accrual reflects the incorporation of the 11 month entitlement of the holders of the Convertible Preferred Ordinary Shares to the dividend of 4% (inclusive of tax credit) payable on 31 August 2004.

Celtic plc

FINANCIAL DIRECTOR'S REPORT

FUNDING

On 31 July 2001 the company raised £22.52m before expenses from the issue of 18,012,448 Convertible Preferred Ordinary Shares pursuant to Celtic's 2001 Offer for Subscription. This in conjunction with improved trading less the significant funds invested in tangible and intangible fixed assets has resulted in the net debt reducing to £16.47m at 30 June 2002, as detailed in the cashflow statement on page 26.

Eric J Riley
Financial Director

6 August 2002

Celtic plc

DIRECTORS' REPORT

The directors are pleased to present their report together with the financial statements for the year ended 30 June 2002.

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 35.4% from £42.01m in 2001 to £56.89m in 2002. Operating costs have risen by 25.2%, resulting in profit from operations increasing to £5.37m (2001: £0.87m). The loss on ordinary activities before taxation amounted to £2.97m (2001: £11.19m). The Preference Share dividend of 6% (inclusive of tax credit) will be paid on 31 August 2002 to those Preference shareholders on the register at 9 August 2002. The fixed Convertible Preferred Ordinary Share dividend of 4% will be payable on 31 August 2004 in accordance with the Company's Articles of Association. The directors do not recommend the payment of an Ordinary Share dividend. The retained loss for the year of £4.34m 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

On 1 July 2002 the players Lubomir Moravcik and Morton Wieghorst left the Company on expiry of their contracts and on 1 August 2002 Ulrik Laursen was signed from Hibernian FC and Magnus Hedman signed from Coventry City FC.

DIRECTORS AND THEIR INTERESTS IN THE COMPANY'S SHARE CAPITAL

The directors serving throughout the year and at 30 June 2002 (unless otherwise indicated) and their interests in the Ordinary Shares, Convertible Cumulative Preference Shares and Convertible Preferred Ordinary Shares of the Company were as follows:

Name	30 June 2002			1 July 2001		
	No. of Convertible Preferred Ordinary Shares of £1 each	No. of Ordinary Shares of 1p each	No. of Convertible Cumulative Preference Shares of 60p each	No. of Convertible Preferred Ordinary Shares of £1 each	No. of Ordinary Shares of 1p each	No. of Convertible Cumulative Preference Shares of 60p each
Brian Quinn CBE	20,000	7,350	7,775	-	7,350	7,775
Ian J W McLeod	8,000	-	-	-	-	-
Eric J Riley	8,000	5,000	5,000	-	5,000	5,000
Thomas E Allison (appointed 15/09/01)	-	20,000	-	-	-	-
Dermot F Desmond	8,000,000	6,273,770	5,131,300	-	4,273,770	5,131,300
Sir Patrick Sheehy	20,000	13,000	-	-	13,000	-
Kevin Sweeney	2,500	-	5,500	-	-	5,500

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. Certain beneficial interests of Brian Quinn and Sir Patrick Sheehy in the shares noted above are held in the names of Brewin Nominees Limited and Perry Nominees Limited respectively.

Celtic plc

DIRECTORS' REPORT

There were no changes in directors' shareholdings between 30 June 2002 and 6 August 2002.

Brief biographical details of the directors are as follows:

Brian Quinn CBE has been a non-executive director since March 1996, and non-executive Chairman since June 2000. 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 Britannic Asset Management Limited. Mr Quinn is also a Fellow of the Institute of Bankers in Scotland and has held positions with the International Monetary Fund. Mr Quinn is a member of the Remuneration and Nomination Committees and stepped down from the Audit Committee during the year.

Ian J W McLeod, before joining Celtic, worked for Asda Stores Group from 1981 and was appointed to the Asda Management Board in 1997. Following the Asda take over by Wal-Mart Inc, Mr McLeod was appointed Managing Director for North East England and in 2001 was promoted to the Executive Board for Wal-Mart, Germany. Mr McLeod took up the position of Chief Executive of Celtic on 30 April 2001.

Eric J Riley is the Financial Director and joined the Company in August 1994. Mr Riley is a chartered accountant and has day to day responsibility for operational areas of corporate strategy and finance. Mr Riley has also been a director of the Scottish Premier League since April 1998.

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. IIU and related companies have a substantial number of investments in a variety of businesses world-wide. Mr Desmond is Chairman of the Remuneration Committee and sits on the Audit and Nomination Committees.

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. 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 and a member of the Remuneration Committee.

Kevin Sweeney has been a director of the Company since July 1998. Mr Sweeney was previously a senior partner in the Company's solicitors, McGrigor Donald, and is also a chartered accountant. He holds a number of other non-executive appointments and sits on the Company's Audit Committee.

Thomas E Allison joined the Board as a non-executive director in September 2001 and is a member of the Audit and Remuneration Committees. In addition to being Chief Executive of Clydeport plc, Mr Allison holds a number of other directorships, is a member of the CBI Scotland Council and is also a director of the Prince and Princess of Wales Hospice in Glasgow.

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, Brian Quinn, Sir Patrick Sheehy and Eric Riley retire by rotation. Sir Patrick Sheehy having attained the age of 71 and having been duly proposed for re-election, Brian Quinn and Eric Riley being eligible, offer themselves for re-election. The directors, in accordance with the Articles of Association, recommend that Mr Quinn, Sir Patrick Sheehy and Mr Riley be re-elected.

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

Celtic plc

DIRECTORS' REPORT

SUBSTANTIAL INTERESTS

In addition to the directors' interests set out above, the Company has been notified or is aware of the following interests of over 3% in its issued Ordinary Share capital as at 6 August 2002:

	Ordinary Shares of 1p each	Percentage of Issued Ordinary Share capital
John S Keane	1,808,080	6.92%

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

Registered Owner	Convertible Preferred Ordinary Shares of £1 each	Percentage of Issued Convertible Preferred Ordinary Shares
NY Nominees Ltd	1,600,000	8.88%
Martin O'Neill	1,600,000	8.88%
Pearce Flynn	800,000	4.44%
Aurum Nominees Ltd	800,000	4.44%
Princella Investments Ltd	800,000	4.44%

DONATIONS

Details of the many charitable activities of Celtic and the charitable donations made by Celtic Charity Fund during the year are narrated on pages 7 and 8. The Group also made direct charitable donations of £37,077 (2001: £9,260).

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 33 days (2001: 31 days).

GENERAL GROUP POLICY

Within the limits of confidentiality, colleagues at all levels are kept informed of matters which affect the progress of the Group and are of interest to them as employees. Monthly communication meetings are held. The Heads of the Company's various business divisions also meet on a regular basis with the Executive Directors to discuss operational and other issues of the Company. To encourage the involvement of employees in the Group's performance, the Company operates an executive share option scheme and bonus scheme. Further details of the Celtic plc Executive Share Option Scheme are set out in the Report of the Remuneration Committee.

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 positive policies in recruitment, training and career development for all colleagues (and potential colleagues) 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 colleagues 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 and policies. 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 associated documentation.

AUDITORS

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



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

6 August 2002

Celtic plc

CORPORATE GOVERNANCE

The Board 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, with the following exceptions.

Non-executive directors are not appointed for specified periods. However, all directors are subject to re-election at regular intervals and at least every 3 years. Board composition is reviewed regularly.

The Notice of last year’s Annual General Meeting was sent 19 working days before the meeting instead of 20. This was due to a minor delay in finalising the wording of the Notice and accompanying notes. Notice periods remained within the requirements of the Companies Act 1985.

BOARD OF DIRECTORS

The Board of directors comprises a non-executive chairman, four non-executive directors and two executive directors. The posts of Chairman and Chief Executive are separate and clearly defined. The non-executive directors are from various business backgrounds and do not participate in the Company’s executive share option, bonus 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 key external advisers are subject to Board approval. Financial policies and budgets, including major capital expenditure, are approved and monitored by the Board.

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. Each has formal written terms of reference. The respective purposes and functions of the Committees are outlined below.

THE REMUNERATION COMMITTEE

This Committee was established in July 1996. It considers and determines, on behalf of the Board, the terms of engagement and remuneration of the Company’s executive directors. The Committee also monitors the Company’s executive share option scheme, determines policy on executive and staff bonuses and monitors implementation to ensure consistency and fairness. The members of the Committee are as detailed on page 2. The Committee is advised internally and also obtains independent advice from external consultants to assist in determining and developing its policies. Its report is set out on pages 18 to 20.

THE AUDIT COMMITTEE

This Committee was established in August 1996. It reviews the Group’s accounting policies, internal controls and financial reporting and, in addition to the role of the Board, monitors health and safety issues. It also 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 also meets at least three times 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.

Celtic plc

CORPORATE GOVERNANCE

INVESTOR COMMUNICATION

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.

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 also all controls including operations, compliance and risk management.

Risk management and internal control are considered on a regular basis during the year and are monitored and reviewed by the Audit Committee. The results of the programmes of control assessment and internal audit which are in place are reported to the Audit Committee and thereafter communicated to the Board. A review of the procedures was conducted before reporting on the year ending 30 June 2002. The Board is satisfied that there is an ongoing process for identifying, assessing and managing all significant risks facing 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 2002 and has taken account of any 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, Sir Patrick Sheehy and Tom Allison.

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 £	2002 [Total] £	2001 Total £
B Quinn CBE	30,000	-	-	-	30,000	30,000
I J W McLeod	225,000	-	12,365	50,000	287,365	98,619
E J Riley	111,250	-	12,437	16,687	140,374	206,923
T E Allison (appointed 15/09/01)	11,942	-	-	-	11,942	-
D F Desmond	15,000	-	-	-	15,000	15,000
Sir Patrick Sheehy	15,000	-	-	-	15,000	15,000
K Sweeney	17,083	-	-	-	17,083	43,750
	425,275	[-]	24,802	66,687	516,764	409,292

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 executive 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. The bonus scheme has been extended across the business, in order to provide an incentive to colleagues in all levels of the business to continually improve performance.

Share Option Scheme

The Company believes it is important to attract, retain and motivate talented individuals. It operates an executive share option scheme to strengthen the link between personal interests and those of shareholders and encourage long term improvement in the Company's performance.

Employees in participating group companies and directors devoting substantially the whole of their working time to the Group's affairs are eligible to participate in the scheme, subject to the discretion of the Remuneration Committee. The rules of the scheme were amended by ordinary resolution on 15 September 2001.

The interests of the executive directors under the Celtic plc Executive Share Option Scheme are as follows:

	Granted in 2001/02 No.	Exercised 2001/02 No.	Lapsed in 2001/02 No.	Class of Share	Exercise Price p	Balance at 30 June 02 No.
Ian J W McLeod	930,233	-	-	Ordinary 1p	107.5	930,233
Eric J Riley	413,053	-	-	Ordinary 1p	107.5	413,053

Celtic plc

REPORT OF THE REMUNERATION COMMITTEE

Mr McLeod has a contractual entitlement that if on the second anniversary of the date of grant of the option, it does not have a built in gain of at least £400,000, the Company will pay Mr McLeod a cash sum equal to the shortfall. If such a cash payment is made, the exercise price per Ordinary Share will be increased by an amount equal to the cash sum divided by the number of Ordinary Shares subject to the option. The option is subject to the performance conditions explained below.

All options over Ordinary Shares granted during the year, including those of the directors, are exercisable in total only after 3 years from the date of grant (in effect, only after 15 September 2004), and provided that over 3 consecutive financial years, the increase in market value of the Company's shares would place the Company in the top one third of companies within the Leisure, Entertainment and Hotels sector of the FTSE and if the percentage growth in earnings per share over 3 consecutive financial years exceeds percentage growth in RPI over the same period by an average of at least 3% per year. In accordance with the rules of the scheme these options, unless exercised or lapsing earlier, lapse on the tenth anniversary of the date of the grant.

In addition to the interests of the directors stated above, 1,230,586 options were granted during the year to other employees over Ordinary Shares of 1p. All such options were granted at an exercise price of 107.5p. Of these, 155,659 lapsed during the year.

Further to an ordinary resolution of the Company on 15 September 2001, options over 1,538,461 Convertible Preferred Ordinary Shares of £1 were granted to the Football Manager at an exercise price of 130p. These options, in addition to parameters stated above are also subject to conditions relating to football success.

On 24 April 1997, certain employees were granted options over Ordinary Shares (then having a nominal value of £1.00 each, now 1p each) at the market value on that date of £3.00. At the balance sheet date, options from that grant over 90,000 Ordinary Shares of 1p were in existence. These options are exercisable at any time between 24 April 2001 and 24 April 2007.

The market price of the Ordinary Shares on 30 June 2002 was 51.5p (2001: 119.0p). The price range during the year was 117.5p to 51.5p. The market price of the Convertible Preferred Ordinary Shares on 30 June 2002, which were issued on 31 July 2001 at a price of 125.0p, was 123.5p and the price range during the year was 130.0p to 123.5p.

Pension

The financial director and other senior managers and colleagues are provided with pension benefits through the Company's pension scheme. Pension contributions for the Chief Executive are made by the Company to independent personal pension arrangements.

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 fees, the Company takes external advice and reviews external comparative information 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.

Celtic plc

REPORT OF THE REMUNERATION COMMITTEE

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

6 August 2002

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;
- 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

FINANCIAL	2002	2001	2000	1999	1998
	£000	£000	£000	£000	£000
TURNOVER	56,892	42,007	38,579	33,840	27,821
PROFIT FROM OPERATIONS	5,370	871	4,676	6,754	5,094
(LOSS)/PROFIT AFTER TAXATION	(3,039)	(8,123)	(3,956)	1,134	7,101
DIVIDENDS	1,301	599	599	533	533
NET ASSETS	47,435	30,059	38,781	43,176	42,575
SHARES IN ISSUE (EXCL. DEFERRED) ('000)	65,762	47,750	47,750	47,500	475
(LOSS)/EARNINGS PER ORDINARY SHARE	(14.26p)	(29.82p)	(15.63p)	3.9p	22.65p
DILUTED (LOSS)/EARNINGS PER SHARE	(4.80p)	(17.04p)	(8.34p)	2.34p	14.90p
NUMBER OF EMPLOYEES	392	381	444	424	375
FOOTBALL	2002	2001	2000	1999	1998
LEAGUE POSITION	1	1	2	2	1
LEAGUE POINTS	103	97	69	68	74
SCOTTISH CUP	FINAL	WINNERS	THIRD RD	FINAL	SEMI FINAL
LEAGUE CUP	SEMI FINAL	WINNERS	WINNERS	THIRD RD	WINNERS
EUROPEAN TIES PLAYED	5	3	3	4	3
CELTIC PARK	2002	2001	2000	1999	1998
STADIUM INVESTMENT TO DATE (£000)	54,069	52,513	51,632	49,661	46,764
STADIUM SEATING CAPACITY	60,501	60,506	60,506	60,506	50,552
AVERAGE HOME LEAGUE ATTENDANCE	58,589	59,170	58,163	59,213	48,532
SEASON TICKET SALES	53,457	54,253	53,397	53,388	42,322

Celtic plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Celtic plc for the year ended 30 June 2002 which comprise the Group Profit and Loss Account, 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.

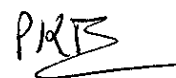
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2002 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



6 August 2002

Celtic plc

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2002

	Notes	2002 £000	2001 £000
TURNOVER	2	56,892	42,007
OPERATING EXPENSES	3	<u>(51,522)</u>	<u>(41,136)</u>
PROFIT FROM OPERATIONS		5,370	871
AMORTISATION OF INTANGIBLE FIXED ASSETS	12	(8,814)	(9,604)
IMPAIRMENT OF INTANGIBLE FIXED ASSETS	12	-	(4,892)
NET GAIN ON DISPOSAL OF INTANGIBLE FIXED ASSETS	12	<u>1,474</u>	<u>4,260</u>
OPERATING LOSS		(1,970)	(9,365)
LOSS ON DISPOSAL OF TANGIBLE FIXED ASSETS		(107)	-
INTEREST PAYABLE AND SIMILAR CHARGES	7	<u>(897)</u>	<u>(1,825)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,974)	(11,190)
TAX ON ORDINARY ACTIVITIES	8	<u>(65)</u>	<u>3,067</u>
LOSS FOR THE YEAR		(3,039)	(8,123)
DIVIDENDS	9	<u>(1,301)</u>	<u>(599)</u>
LOSS FOR THE YEAR TRANSFERRED TO RESERVES	21	<u>(4,340)</u>	<u>(8,722)</u>
LOSS PER ORDINARY SHARE	10	(14.26p)	(29.82p)
DILUTED LOSS PER SHARE	10	(4.80p)	(17.04p)

All amounts relate to continuing operations.

There were no gains or losses recognised in 2002 other than the loss for the year.

Celtic plc

GROUP BALANCE SHEET

30 JUNE 2002

	Notes	2002		2001	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	11		48,266		46,664
Intangible assets	12		<u>25,895</u>		<u>24,106</u>
			74,161		70,770
CURRENT ASSETS					
Stocks	14	1,258		1,228	
Deferred tax asset	15	5,615		5,680	
Debtors	16	4,532		4,579	
Cash at bank and in hand		<u>533</u>		<u>87</u>	
			<u>11,938</u>		<u>11,574</u>
CREDITORS - Amounts falling due within one year					
	17	<u>(12,607)</u>		<u>(20,066)</u>	
Income deferred less than one year	18	<u>(8,682)</u>		<u>(10,447)</u>	
		<u>(21,289)</u>		<u>(30,513)</u>	
NET CURRENT LIABILITIES			<u>(9,351)</u>		<u>(18,939)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			64,810		51,831
CREDITORS - Amounts falling due after more than one year					
	19	<u>(17,375)</u>		<u>(21,772)</u>	
NET ASSETS			<u>47,435</u>		<u>30,059</u>
CAPITAL AND RESERVES					
Called up share capital (includes non-equity)	20		29,405		11,392
Share premium	21		21,222		17,519
Profit and loss account	21		<u>(3,192)</u>		<u>1,148</u>
SHAREHOLDERS' FUNDS			<u>47,435</u>		<u>30,059</u>

Approved by the Board on 6 August 2002


Ian J & W McLeod

Director


Eric J Riley

Director

Celtic plc

COMPANY BALANCE SHEET

30 JUNE 2002

	Notes	2002		2001	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	11		48,266		46,664
Intangible assets	12		<u>25,895</u>		<u>24,106</u>
			74,161		70,770
CURRENT ASSETS					
Stocks	14	-		1,228	
Deferred tax asset	15	217		5,680	
Debtors	16	3,303		4,518	
Cash at bank and in hand		<u>17</u>		<u>78</u>	
			3,537		11,504
CREDITORS - Amounts falling due within one year					
	17	(8,461)		(20,458)	
Income deferred less than one year	18	<u>-</u>		<u>(10,447)</u>	
		(8,461)		(30,905)	
NET CURRENT LIABILITIES			<u>(4,924)</u>		<u>(19,401)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			69,237		51,369
CREDITORS - Amounts falling due after more than one year					
	19		<u>(17,357)</u>		<u>(21,772)</u>
NET ASSETS			51,880		29,597
CAPITAL AND RESERVES					
Called up share capital (includes non-equity)	20		29,405		11,392
Share premium	21		21,222		17,519
Profit and loss account	21		<u>1,253</u>		<u>686</u>
SHAREHOLDERS' FUNDS			51,880		29,597

Approved by the Board on 6 August 2002


Ian J W McLeod

Director


Eric J Riley

Director

Celtic plc

GROUP CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2002

	2002 £000	2001 £000
RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating loss	(1,970)	(9,365)
Depreciation	1,051	1,128
Amortisation of intangible fixed assets	8,814	9,604
Impairment of intangible fixed assets	-	4,892
Net gain on disposal of intangible fixed assets	(1,474)	(4,260)
Grants release	(1)	(1)
Increase in stocks	(30)	(272)
Decrease/(increase) in debtors	774	(809)
Increase in creditors	359	1,385
	<hr/>	<hr/>
Net cash inflow from operating activities	7,523	2,302
	<hr/>	<hr/>
CASH FLOW STATEMENT		
Net cash inflow from operating activities	7,523	2,302
Returns on investments and servicing of finance (note 23)	(2,296)	(2,424)
Capital expenditure and financial investment (note 23)	(14,591)	(14,998)
	<hr/>	<hr/>
Cash outflow before financing	(9,364)	(15,120)
Financing (note 23)	17,133	6,709
	<hr/>	<hr/>
Increase/(decrease) in cash	7,769	(8,411)
	<hr/>	<hr/>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 24)		
Increase/(decrease) in cash in the period	7,769	(8,411)
Cash outflow/(inflow) from decrease/(increase) in debt	5,383	(6,709)
	<hr/>	<hr/>
Change in net debt resulting from cash flows	13,152	(15,120)
Movement in net debt in the period	13,152	(15,120)
Net debt at 1 July	(29,625)	(14,505)
	<hr/>	<hr/>
Net debt at 30 June	(16,473)	(29,625)
	<hr/>	<hr/>

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements 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 2002. 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 11. 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.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2002

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 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.

2 TURNOVER

Turnover in respect of the five business operations comprised:	2002 £000	2001 £000
Professional football	27,715	21,681
Multimedia and communications	16,216	9,904
Merchandising	10,001	7,718
Stadium enterprises	1,684	1,478
Youth development	1,276	1,226
	<hr/>	<hr/>
	56,892	42,007

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

3 OPERATING EXPENSES

	2002 £000	2001 £000
Operating expenses include the following charges:		
Auditors' remuneration : audit fees	28	20
: other fees	19	11
Staff costs (Note 4)	32,745	25,903
Depreciation (Note 11)	1,051	1,128
Operating lease payments - land and buildings	383	198
- plant & vehicles	58	26
	<hr/>	<hr/>

Auditors' other fees represent £11,000 (2001: £Nil) in respect of the group restructure and £8,000 (2001: £11,000) in respect of taxation services provided in the year.

4 STAFF PARTICULARS

	2002 £000	2001 £000
Wages and salaries	28,481	22,525
Social security costs	3,530	2,665
Other pension costs	734	713
	<hr/>	<hr/>
	32,745	25,903

	Number	Number
Average number employed in the year:		
Professional football and youth development	161	157
Other business operations	231	224
	<hr/>	<hr/>
	392	381

5 DIRECTORS' EMOLUMENTS

Details of directors' emoluments are included within the Report of the Remuneration Committee on pages 18 to 20.

6 PENSION COSTS

The assets of the Group pension scheme are held separately from those of the Group by The Standard Life Assurance Company.

Contributions made by the Group to the scheme during the year amounted to £138,943 (2001 - £98,086). Contributions of £17,027 (2001 - £Nil) were payable to the fund at the year-end.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £000	2001 £000
Interest payable and similar charges comprised:		
On bank loans and overdrafts wholly repayable within five years	123	521
Other loans	708	1,238
On hire purchase contracts	66	66
	<u>897</u>	<u>1,825</u>

8 TAX ON ORDINARY ACTIVITIES - GROUP

(a) Analysis of charge/(credit) in period

	2002 £000	2001 £000
Current tax:		
UK corporation tax (below)	-	-
Deferred tax: (Note 15)		
Origination and reversal of timing differences	(671)	(3,680)
Movement in discount	736	613
Tax charge/(credit) on ordinary activities	<u>65</u>	<u>(3,067)</u>

(b) Factors affecting tax charge/(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% (2001: 30%). The differences are explained below:

	2002 £000	2001 £000
Loss on ordinary activities before tax	<u>(2,974)</u>	<u>(11,190)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2001: 30%)	(892)	(3,357)
Effects of:		
Expenses not deductible for tax purposes	45	44
Capital allowances for period in excess of depreciation	(425)	(280)
Untaxed income	(360)	(341)
Decrease in general provisions	(2)	(259)
Losses created in year	<u>1,634</u>	<u>4,193</u>
Current corporation tax charge for year	-	-

No provision for corporation tax is required in respect of the year ended 30 June 2002. Estimated tax losses available for set-off against future trading profits amount to approximately £24,000,000 (2001 - £26,000,000). This estimate is subject to the agreement of the current and prior years' corporation tax computations with the Inland Revenue.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2002

9 DIVIDENDS

The non-equity dividend of £1,300,645 (2001: £599,400) comprises the dividend of 6% (inclusive of tax credit) of £557,632 (2001: £599,400) payable on 31 August 2002 to those holders of Convertible Cumulative Preference Shares on the share register at 9 August 2002, together with the amount due in respect of the Convertible Preferred Ordinary Shares fixed dividend of 4% (inclusive of tax credit) of £743,013 (2001: £Nil) which is payable on 31 August 2004.

10 LOSS PER SHARE

The loss per share has been calculated by dividing the loss for the period of £4.34m (2001: £8.72m) by the weighted average number of Ordinary Shares of 30.43 million (2001: 29.25 million) in issue during the year. The diluted loss per share has been calculated by dividing the loss for the period of £3.04m (2001: £8.12m) by the total weighted average number of Ordinary, Convertible Cumulative Preference and Convertible Preferred Ordinary Shares of 63.30 million (2001: 47.75 million) in issue during the year ended 30 June 2002, assuming the exercise of all outstanding share purchase options.

11 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 2001	36,586	3,011	12,928	52,525
Additions	878	59	1,823	2,760
Disposals	-	-	(258)	(258)
At 30 June 2002	37,464	3,070	14,493	55,027
Accumulated Depreciation				
At 1 July 2001	42	629	5,190	5,861
Charge for year	22	181	848	1,051
Eliminated on disposal	-	-	(151)	(151)
At 30 June 2002	64	810	5,887	6,761
Net Book Value				
At 30 June 2002	37,400	2,260	8,606	48,266
At 30 June 2001	36,544	2,382	7,738	46,664

Freehold Land and Buildings are net of grants received of £2,999,000 (2001: £2,999,000).

The net book value of plant and vehicles includes £1,522,000 (2001: £1,623,000) in respect of assets held under hire purchase contracts. Depreciation charged on these assets in the year ended 30 June 2002 amounted to £101,000 (2001: £80,000).

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2002

12 FIXED ASSETS - INTANGIBLE ASSETS

Group and Company

	2002 £000	2001 £000
Cost		
At 1 July	50,082	34,053
Additions	12,107	21,890
Disposals	(14,274)	(5,861)
At 30 June	47,915	50,082
Amortisation		
At 1 July	25,976	15,014
Charge for year	8,814	9,604
Provision for impairment	-	4,892
Disposals	(12,770)	(3,534)
At 30 June	22,020	25,976
Net Book Value		
At 30 June	25,895	24,106

The net gain on sale of player registrations in the year was £1,474,000 (2001: £4,260,000).

13 SUBSIDIARY COMPANIES

During the year ended 30 June 2002, Celtic plc undertook a group restructuring exercise. This resulted in the creation of a new wholly owned subsidiary, Celtic FC Limited, which carries out aspects of football club management, stadium operations and retail activities.

In turn, Celtic FC Limited holds 100% of the issued ordinary share capital in the following companies:

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 2002.

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.

14 STOCKS

	2002 Group £000	2001 Group £000	2002 Company £000	2001 Company £000
Goods for resale	1,258	1,228	-	1,228

Following the group restructuring exercise referred to in Note 13 above, the Company stockholding was transferred to Celtic FC Limited.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

15 DEFERRED TAX ASSET

Based on the forecast profitability of the Group, it is expected that 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.

Group

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

	2002		2001	
	£000	£000	£000	£000
Gross:				
Accelerated capital allowances	(1,221)		(2,939)	
Losses	<u>6,938</u>		<u>7,985</u>	
		5,717		5,046
Discount:				
Accelerated capital allowances	1,438		1,974	
Losses	<u>(1,540)</u>		<u>(1,340)</u>	
		(102)		634
At 30 June		<u>5,615</u>		<u>5,680</u>
		2002		2001
		£000		£000

The movement in the deferred tax asset comprises:

At 1 July	5,680	2,613
(Charge)/Credit to profit and loss account (Note 8)	<u>(65)</u>	<u>3,067</u>
At 30 June	<u>5,615</u>	<u>5,680</u>

The deferred tax asset is recoverable after one year.

Company

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

	2002		2001	
	£000	£000	£000	£000
Gross:				
Accelerated capital allowances	(1,221)		(2,939)	
Losses	<u>-</u>		<u>7,985</u>	
		(1,221)		5,046
Discount:				
Accelerated capital allowances	1,438		1,974	
Losses	<u>-</u>		<u>(1,340)</u>	
		1,438		634
At 30 June		<u>217</u>		<u>5,680</u>
		2002		2001
		£000		£000

The movement in the deferred tax asset comprises:

At 1 July	5,680	2,613
Losses transferred to subsidiary on restructure	(4,500)	-
(Charge)/Credit to profit and loss account	<u>(963)</u>	<u>3,067</u>
At 30 June	<u>217</u>	<u>5,680</u>

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

16 DEBTORS

	2002 Group £000	2001 Group £000	2002 Company £000	2001 Company £000
Debtors comprised:				
Trade debtors	3,382	2,276	1,475	2,215
Advance corporation tax	250	250	250	250
Other debtors	63	100	22	100
Prepayments and accrued income	837	1,953	182	1,953
Due from subsidiary undertaking	-	-	1,374	-
	4,532	4,579	3,303	4,518

Included in trade debtors is an amount of £1,475,000 (2001: £750,000) 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.

17 CREDITORS - amounts falling due within one year

	2002 Group £000	2001 Group £000	2002 Company £000	2001 Company £000
Creditors comprised:				
Loan instalments	27	27	27	27
Bank overdraft	-	7,323	-	7,561
Other loans	182	182	182	182
Trade creditors	3,820	5,112	2,566	5,112
Other taxation and social security	2,461	3,170	1,055	3,121
Proposed dividends	558	599	558	599
Other creditors	1,076	495	804	495
Accruals	4,130	2,714	2,916	2,714
Due to subsidiary undertaking	-	-	-	203
Obligations under hire purchase agreement	353	444	353	444
	12,607	20,066	8,461	20,458

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 £1,212,500 (2001: £4,251,000) in respect of instalments due for the acquisition of player registrations.

The increase in other creditors and accruals mainly reflects increases in amounts accrued in respect of capital expenditure and player registrations.

18 INCOME DEFERRED LESS THAN ONE YEAR

	2002 Group £000	2001 Group £000	2002 Company £000	2001 Company £000
Deferred income	8,682	10,447	-	10,447

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.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

19 CREDITORS – amounts falling due after more than one year

	2002 Group £000	2001 Group £000	2002 Company £000	2001 Company £000
Loan instalments	16,002	21,029	16,002	21,029
Accruals	188	36	170	36
Obligations under the hire purchase agreement	442	707	442	707
Proposed dividends	743	-	743	-
	17,375	21,772	17,357	21,772

Group and Company

2002 £000	2001 £000
--------------	--------------

Loan instalments are repayable as follows:

In one year or less	27	27
Between one and two years	2	27
Between two and five years	-	2
In more than five years	16,000	21,000
	16,029	21,056

Loans repayable by instalments include bank loans of £16.00m (2001: £21.00m). These loans bear interest at London Inter-Bank Offered Rate plus 1.125%. These loans form part of a £24.00m loan facility which is repayable in equal quarterly instalments from October 2009 until April 2019 and £16.69m is repayable in July 2019. The Company has the option to repay the loans earlier than these dates without penalty. The bank loans are secured over Celtic Park.

2002 £000	2001 £000
--------------	--------------

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

In one year or less	353	444
Between one and five years	442	707
	795	1,151

The hire purchase creditor is secured over the asset concerned.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

20 SHARE CAPITAL

Group and Company	Authorised		Allotted, called up and fully paid			
	2002 No.'000	2001 No.'000	2002 No.'000	2002 £000	2001 No.'000	2001 £000
Equity						
Ordinary Shares of 1p each	36,289	35,000	30,539	305	29,250	292
Non Equity						
Convertible Preferred Ordinary Shares of £1 each	20,000	-	18,012	18,012	-	-
Convertible Cumulative Preference Shares of 60p each	19,711	21,000	17,211	10,327	18,500	11,100
Deferred Shares of 1p each	76,052	-	76,052	761	-	-
	152,052	56,000	141,814	29,405	47,750	11,392

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 proceeds of this share issue after costs were £21.72m.

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% (net any associated tax credit) 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 reaching the semi-finals in the competition.

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.

Each Convertible Cumulative 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. During the year ended 30 June 2002 1,289,624 Preference Shares were converted in accordance with these provisions. 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. As at 6 August 2002, the latest practicable date before publication, no further conversion notices had been received in respect of Preference Shares.

Details of directors' and other share options are included within the Remuneration Committee Report on pages 18 to 20.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

21 RESERVES

The movement of reserves during the year was as follows:

	Group		Company	
	Share Premium Account £000	Profit and Loss Account £000	Share Premium Account £000	Profit and Loss Account £000
At 1 July 2001	17,519	1,148	17,519	686
Loss/(profit) for the year	-	(3,039)	-	1,868
Dividends	-	(1,301)	-	(1,301)
Premium arising on shares issued	3,703	-	3,703	-
At 30 June 2002	21,222	(3,192)	21,222	1,253

The parent Company's profit for the financial year is £1,868,000 (2001: £8,179,000 loss).

The increase in the share premium account in the year represents the premium arising on the issue of 18,012,448 Convertible Preferred Ordinary Shares of £1 each at £1.25 per share, net of issue costs of £800,000. Included in the issue costs are fees of £37,000 (2001: £Nil) charged by the group's auditors in respect of professional advice in relation to the share issue.

The Company is seeking shareholders' consent for the cancellation of the Company's share premium account and the transfer of up to £21,222,000 from the share premium account to distributable reserves. Full details are contained within the Notice of the Annual General Meeting and separate Class Meetings and the explanatory notes accompanying the Notices.

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	2002 £000	2001 £000
At 1 July - as reported	30,059	36,168
Prior year adjustment	-	2,613
At 1 July - as restated	30,059	38,781
Movements in year:		
Retained loss for the year	(4,340)	(8,722)
Share capital issued in the year	18,013	-
Share premium arising in the year	3,703	-
	17,376	(8,722)
At 30 June	47,435	30,059

At 30 June 2002 Non-Equity Shareholders' Funds, defined in accordance with FRS4, amounted to £29.10m (2001: £11.10m). This relates to the Convertible Preferred Ordinary Shares, the Convertible Cumulative Preference Shares and the Deferred Shares.

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

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

	2002 £000	2001 £000
Returns on investments and servicing of finance		
Preference dividend paid	(599)	(599)
Interest paid	(831)	(1,759)
Interest element of hire purchase payments	(66)	(66)
Issue costs of non-equity shares	(800)	-
Net cash outflow from returns on investments and servicing of finance	(2,296)	(2,424)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(2,229)	(1,070)
Payments to acquire intangible fixed assets	(14,615)	(20,783)
Proceeds from sales of intangible fixed assets	2,253	6,855
Net cash outflow from capital expenditure and financial investment	(14,591)	(14,998)
Financing		
Loans received	-	7,000
Loan instalments paid	(5,027)	(27)
Capital element of hire purchase payments	(356)	(264)
Issue of share capital	22,516	-
Net cash inflow from financing	17,133	6,709

24 ANALYSIS OF NET DEBT

	At 1 July 2001 £000	Cash Flow £000	Other Non-Cash Movements £000	At 30 June 2002 £000
Cash at bank and in hand	87	446	-	533
Overdrafts	(7,323)	7,323	-	-
	(7,236)	7,769	-	533
Debt due within 1 year	(209)	27	(27)	(209)
Debt due after 1 year	(21,029)	5,000	27	(16,002)
Hire purchase creditor	(1,151)	356	-	(795)
	(22,389)	5,383	-	(17,006)
Net debt	(29,625)	13,152	-	(16,473)

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

25 CAPITAL AND OTHER FINANCIAL COMMITMENTS

a. Capital commitments

Group & Company

	2002 £000	2001 £000
Authorised and contracted for:	2,625	1,386

b. Other commitments

At 30 June 2002 the Group had annual commitments under operating leases as follows:

Expiry date:	Land & Buildings		Other	
	2002 £000	2001 £000	2002 £000	2001 £000
Within 1 year	-	-	-	-
Between 1 and 5 years	26	-	58	26
In more than 5 years	456	325	-	-

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 Group if specific future conditions are met. Amounts in respect of such contracts at 30 June 2002 could result in an amount payable of £2.32m (2001: £1.29m), of which £2.00m could arise within one year and amounts receivable of £760,000 (2001: £135,000), of which £560,000 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 2002 was £Nil (2001: £Nil).

26 FINANCIAL INSTRUMENTS

Details of the financial instruments of the Group during the financial year ended 30 June 2002, 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 (2001: £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 2001. 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.

During the year the Company issued new Convertible Preferred Ordinary Shares which are convertible to equity (Ordinary) shares and non-equity (Deferred) shares on 31 August 2007. Until these are converted, the holders are entitled to a fixed dividend of 4% (inclusive of any associated tax credit) and an additional dividend which is dependent on the success of the first team as set out in Note 20.

The Company's non-equity Convertible Cumulative Preferred 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).

Celtic plc

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

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 2002 and 30 June 2001 and details of applicable interest rates on these liabilities are disclosed in notes 17 and 19.

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 £36.0m (2001: £46.5m), of which £24.0m is represented by long term loans and £12.0m by overdraft, £20.0m (2001: £18.2m) remains undrawn at the balance sheet date as follows:

	2002 £000	2001 £000
Loans repayable in more than five years	8,000	-
Overdraft repayable on demand	12,000	3,200
Additional facility guaranteed by Dermot Desmond (Note 27)	-	15,000
	<hr/> 20,000	<hr/> 18,200

27 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 £15.00m 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. Prior to the Offer for Subscription of Convertible Preferred Ordinary Shares, Dermot Desmond gave an undertaking to guarantee the amount, if any, that the offer proceeds fell short of £15.00m. This enabled the Company's bankers to provide the Group with additional borrowing facilities for an amount equal to £15.00 million less the proceeds from the Offer. On 31 July 2001 gross proceeds of £22.52m were received from the Offer for Subscription and the guarantee as noted above was extinguished and the undertaking was not taken up.

28 POST BALANCE SHEET EVENTS

Capital Expenditure

Since the balance sheet date further capital expenditure on intangible assets of £2.70m (2001: £6.97m) has been incurred.

Celtic plc

YEAR ENDED 30 JUNE 2002

CELTIC plc

(Incorporated in Scotland No. SC003487)

Registered Office: Celtic Park, Glasgow. G40 3RE

6 August 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of Celtic plc (the "Company") will be held at Celtic Park, Glasgow, G40 3RE on 9 September 2002 at 10:30 am for the following purposes: -

AS ROUTINE BUSINESS

The following resolutions will be proposed as Ordinary Resolutions:-

- 1 To receive and adopt the audited statement of accounts of the Company for the year ended 30 June 2002 together with the reports of the Directors and auditors thereon.
- 2 To re-elect Brian Quinn, who retires by rotation, as a director of the Company.
- 3 To re-elect Eric Riley, who retires by rotation, as a director of the Company.
- 4 To re-elect Sir Patrick Sheehy, who retires by rotation and who has reached the age of 71 and has been duly proposed for re-election, as a director of the Company.
- 5 To re-appoint PKF as auditors of the Company and to authorise the Directors to determine its remuneration.

AS SPECIAL BUSINESS

Resolutions will be proposed as follows:-

- 6 To consider and if thought fit, pass the following resolution as an Ordinary Resolution of the Company:-

THAT the authority of the Directors contained within the Articles pursuant to and in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 (2) of the Act up to an aggregate nominal amount equal to the Section 80 Amount (as defined in Article 5(d)(ii) of the Articles) be and is hereby renewed so that the Section 80 Amount for the purpose of this authority shall be for relevant securities up to an aggregate nominal amount equal to £3,545,052 and that this authority shall expire (save as provided in Article 5 (c) of the Articles) on 9 September 2007.

- 7 To consider and, if thought fit, pass the following resolution as a Special Resolution of the Company:-

THAT the power of the Directors contained in Article 5 (b) of the Articles to allot equity securities (within the meaning of Section 94 (2) of the Act) wholly for cash pursuant to and within the terms of the authority conferred by Resolution 6 above

- (a) in connection with a Rights Issue (as defined in Article 5(d)(v) of the Articles), shall be without limit; and

Celtic plc

YEAR ENDED 30 JUNE 2002

- (b) otherwise than in connection with a Rights Issue, up to an aggregate nominal amount equal to the Section 89 Amount (as defined in Article 5(d)(iv) of the Articles);

as if Section 89(1) of the Act did not apply to any such allotment, be and is hereby renewed, provided that the Section 89 Amount for the purposes of this renewed power shall be equity securities up to an aggregate nominal amount of £1,470,247 and that this renewed power shall expire (save as provided in Article 5(c) of the Articles) on the earlier of the date of the next Annual General Meeting of the Company after the passing of this Resolution and 9 December 2003.

- 8 To consider and if thought fit, pass the following as a Special Resolution of the Company:-

THAT, subject to (i) the passing of the extraordinary resolutions contained in the Notices of Separate Class Meetings of holders of Ordinary Shares, Preference Shares and Convertible Preferred Ordinary Shares in the capital of the Company respectively, convened for the same place and day as this meeting (or at any adjournments thereof) and (ii) the consent of the Court, the amount standing to the credit of the share premium account of the Company be and is hereby cancelled and the Directors of the Company be and are hereby authorised to do or procure to be done all such acts and things on behalf of the Company as they consider necessary or expedient to implement such cancellation.

BY ORDER OF THE BOARD

Robert M Howat

Secretary

6 August 2002

Notes:

Due to the inclusion of Resolution 8, holders of Ordinary Shares, Preference Shares or Convertible Preferred Ordinary Shares in the capital of the Company are entitled to attend at the Annual General Meeting. Ordinary Shareholders and Convertible Preferred Ordinary Shareholders entitled to attend are entitled to appoint a proxy or proxies to attend and, on a poll, vote in his/her place on **all** resolutions. Holders of Preference Shares entitled to attend may only vote on Resolution 8 and are entitled to appoint a proxy or proxies to attend and, on a poll, vote in his or her place on Resolution 8 **only**. A proxy need not be a member of the Company. A **WHITE** form of proxy for use at the Annual General Meeting is enclosed.

If you do not intend to be present at the Annual General Meeting, please complete the **white** form of proxy, sign it and return it in the envelope provided together with any power of attorney or other authority under which it is signed (or a copy of such authority certified notarially or in some other way approved by the Directors) so as to reach the Company's registrars, Computershare Investor Services PLC, P.O. Box 1075, The Pavilions, Bristol, BS99 3FA at least 24 hours before the time fixed for the Annual General Meeting or adjourned meeting or (in the case of a poll taken more than 48 hours after it is demanded) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used. Completion and return of a form of proxy will not preclude a Shareholder entitled to attend and vote at the Annual General Meeting from doing so if he/she so wishes.

The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, has specified that only Shareholders registered in the Register of Members of the Company as at 10.30 am on 7 September 2002 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 10:30 am on 7 September 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Holders of Ordinary Shares or Convertible Preferred Ordinary Shares are entitled to vote on all resolutions at the Annual General Meeting. Preference Shareholders are entitled to vote on Resolution 8 only.

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CELTIC plc

(Incorporated in Scotland No. SC003487)

Registered Office: Celtic Park, Glasgow. G40 3RE

6 August 2002

NOTICE OF SEPARATE CLASS MEETING OF ORDINARY SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a Separate Class Meeting of the holders of the Ordinary Shares of 1p each in the capital of Celtic plc ("the Company") will be held at 11.15 am on 9 September 2002 at Celtic Park, Glasgow, G40 3RE (or as soon thereafter as the Annual General Meeting convened for 10:30 am on the same date and at the same place has concluded or been adjourned, declaring further that if the meeting is not quorate, it shall stand adjourned to 11.15 am on 16 September 2002 at Celtic Park, Glasgow, G40 3RE) for the purpose of considering and, if thought fit, passing the following resolution as an extraordinary resolution:

THAT this meeting of the holders of the Ordinary Shares of 1p each in the capital of the Company hereby (i) consents to the passing and carrying into effect of resolution number 8 contained in the Notice of Annual General Meeting of the Company dated 6 August 2002; and (ii) sanctions any variation or abrogation of the rights and privileges attached to the Ordinary Shares which will or may result from the passing and carrying into effect of such resolution.

By order of the Board

Robert M Howat

Secretary

6 August 2002

Notes:

Any holder of Ordinary Shares in the capital of the Company entitled to attend and vote at the Separate Class Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote in his/her place. A proxy need not be a member of the Company. A **YELLOW** form of proxy for use at the Separate Class Meeting is enclosed.

If you do not intend to be present at the Separate Class Meeting, please complete the **yellow** form of proxy, sign it and return it in the envelope provided together with any power of attorney or other authority under which it is signed (or a copy of such authority certified notarially or in some other way approved by the Directors) so as to reach the Company's registrars, Computershare Investor Services PLC, P.O. Box 1075, The Pavilions, Bristol, BS99 3FA at least 24 hours before the time fixed for the Separate Class Meeting or adjourned meeting or (in the case of a poll taken more than 48 hours after it is demanded) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used. Completion and return of a form of proxy will not preclude a holder of Ordinary Shares entitled to attend and vote at the Separate Class Meeting from doing so if he/she so wishes.

The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, has specified that only Ordinary Shareholders registered in the Register of Members of the Company as at 11.15 am on 7 September 2002 shall be entitled to attend or vote at the aforesaid Separate Class Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 11.15 am on 7 September 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Only holders of the Ordinary Shares of the Company are entitled to attend and vote at this Separate Class Meeting.

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YEAR ENDED 30 JUNE 2002

CELTIC plc

(Incorporated in Scotland No. SC003487)

Registered Office: Celtic Park, Glasgow. G40 3RE

6 August 2002

NOTICE OF SEPARATE CLASS MEETING OF PREFERENCE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a Separate Class Meeting of the holders of the Convertible Cumulative Preference Shares of 60p each in the capital of Celtic plc ("the Company") will be held at 11.17 am on 9 September 2002 at Celtic Park, Glasgow, G40 3RE (or as soon thereafter as the Separate Class Meeting of the Ordinary Shares of 1p in the capital of the Company convened for 11.15 am on the same date and at the same place has concluded or been adjourned, declaring further that if the meeting is not quorate, it shall stand adjourned to 11.17 am on 16 September 2002 at Celtic Park, Glasgow, G40 3RE) for the purpose of considering and, if thought fit, passing the following resolution as an extraordinary resolution:

THAT this meeting of the holders of the Preference Shares of 60p each in the capital of the Company hereby (i) consents to the passing and carrying into effect of resolution number 8 contained in the Notice of Annual General Meeting of the Company dated 6 August 2002; and (ii) sanctions any variation or abrogation of the rights and privileges attached to the Preference Shares which will or may result from the passing and carrying into effect of such resolution.

By order of the Board

Robert M Howat

Secretary

6 August 2002

Notes:

Any holder of Preference Shares in the capital of the Company entitled to attend and vote at the Separate Class Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote in his/her place. A proxy need not be a member of the Company. A **GREEN** form of proxy for use at the Separate Class Meeting is enclosed.

If you do not intend to be present at the Separate Class Meeting, please complete the **green** form of proxy, sign it and return it in the envelope provided together with any power of attorney or other authority under which it is signed (or a copy of such authority certified notarially or in some other way approved by the Directors) so as to reach the Company's registrars, Computershare Investor Services PLC, P.O. Box 1075, The Pavilions, Bristol, BS99 3FA at least 24 hours before the time fixed for the Separate Class Meeting or adjourned meeting or (in the case of a poll taken more than 48 hours after it is demanded) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used. Completion and return of a form of proxy will not preclude a holder of Preference Shares entitled to attend and vote at the Separate Class Meeting from doing so if he/she so wishes.

The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, has specified that only Preference Shareholders registered in the Register of Members of the Company as at 11:17 am on 7 September 2002 shall be entitled to attend or vote at the aforesaid Separate Class Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 11.17 am on 7 September 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Only holders of the Preference Shares of the Company are entitled to attend and vote at this Separate Class Meeting.

Celtic plc

YEAR ENDED 30 JUNE 2002

CELTIC plc

(Incorporated in Scotland No: SC003487)

Registered Office: Celtic Park, Glasgow. G40 3RE

6 August 2002

NOTICE OF SEPARATE CLASS MEETING OF CONVERTIBLE PREFERRED ORDINARY SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a Separate Class Meeting of the holders of the Convertible Preferred Ordinary Shares of 100p each in the capital of Celtic plc ("the Company") will be held at 11.19 am on 9 September 2002 at Celtic Park, Glasgow, G40 3RE (or as soon thereafter as the Separate Class Meeting of the Preference Shares of 60p in the capital of the Company convened for 11.17 am on the same date and at the same place has concluded or been adjourned, declaring further that if the meeting is not quorate, it shall stand adjourned to 11.19 am on 16 September 2002 at Celtic Park, Glasgow, G40 3RE) for the purpose of considering and, if thought fit, passing the following resolution as an extraordinary resolution:

THAT this meeting of the holders of the Convertible Preferred Ordinary Shares of 100p each in the capital of the Company hereby (i) consents to the passing and carrying into effect of resolution number 8 contained in the Notice of Annual General Meeting of the Company dated 6 August 2002; and (ii) sanctions any variation or abrogation of the rights and privileges attached to the Convertible Preferred Ordinary Shares which will or may result from the passing and carrying into effect of such resolution.

By order of the Board

Robert M Howat

Secretary

6 August 2002

Any holder of Convertible Preferred Ordinary Shares in the capital of the Company entitled to attend and vote at the Separate Class Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote in his/her place. A proxy need not be a member of the Company. A **PINK** form of proxy for use at the Separate Class Meeting is enclosed.

If you do not intend to be present at the Separate Class Meeting, please complete the **pink** form of proxy; sign it and return it in the envelope provided together with any power of attorney or other authority under which it is signed (or a copy of such authority certified notarially or in some other way approved by the Directors) so as to reach the Company's registrars, Computershare Investor Services PLC, P.O. Box 1075, The Pavilions, Bristol, BS99 3FA at least 24 hours before the time fixed for the Separate Class Meeting or adjourned meeting or (in the case of a poll taken more than 48 hours after it is demanded) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used. Completion and return of a form of proxy will not preclude a holder of Convertible Preferred Ordinary Shares entitled to attend and vote at the Separate Class Meeting from doing so if he/she so wishes.

The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, has specified that only Convertible Preferred Ordinary Shareholders registered in the Register of Members of the Company as at 11.19 am on 7 September 2002 shall be entitled to attend or vote at the aforesaid Separate Class Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 11.19am on 7 September 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Only holders of Convertible Preferred Ordinary Shares of the Company are entitled to attend and vote at this Separate Class Meeting.

Celtic plc

YEAR ENDED 30 JUNE 2002

EXPLANATORY NOTES

AGM RESOLUTIONS

RESOLUTION 1: Report and Accounts

The Directors are required to present to the meeting the audited statement of accounts of the Company and the Directors' and Auditors' Reports for the year ended 30 June 2002. You are voting to receive and adopt the Reports.

RESOLUTIONS 2, 3 AND 4: Re-election of Directors

These resolutions seek the re-election of Brian Quinn, Eric Riley and Sir Patrick Sheehy, each of whom retires and is willing to stand for re-election as a director. Brian Quinn has been Chairman since June 2000. Eric Riley has been the Company's Financial Director since August 1994. Sir Patrick Sheehy, who is 71, is the senior independent non-executive director and Chairman of the Audit and Nomination Committees. Further information on each individual is set out in the Annual Report.

These re-elections have been duly proposed and are recommended by the Board.

RESOLUTION 5: Re-appointment and remuneration of auditors

The Company is required to appoint auditors at each general meeting at which accounts are presented, to hold office until the end of the next such meeting. This resolution proposes the re-appointment of the Company's existing auditors, PKF, and follows standard practice in giving authority to the Board to determine its remuneration. PKF is responsible for examining the Company's annual report and accounts and for forming an opinion as to whether they give a true and fair view of its financial position and comply with Companies Act requirements. PKF's audit includes an examination on a test basis of evidence relating to the amounts or disclosures in the accounts. PKF also reviews the Company's compliance with relevant paragraphs of the Combined Code.

RESOLUTION 6 : Authority to allot shares

The authority of the Directors to allot shares expires at the conclusion of this year's Annual General Meeting and this resolution seeks renewal of a general authority in respect of the remaining unissued share capital of the Company (which amounts to 12.06 % of the Company's issued share capital) for a further period expiring 5 years from the date of the Annual General Meeting. As discussed below, the power relates to the unissued amounts of each of the Ordinary, Preference and Convertible Preferred Ordinary Share capital. The 5 year period is the maximum period permitted by the Articles and Section 80(5) of the Act.

RESOLUTION 7: Disapplication of pre-emption rights where shares allotted for cash

The resolution seeks your consent to the renewal of the power of the Directors to disapply statutory pre-emption rights in respect of the allotment of shares for cash. The power to disapply statutory pre-emption rights expires at this AGM. Under Section 89(1) of the Act, if the Directors wish to allot any of the unissued shares for cash, they must in the first instance offer them to existing shareholders in proportion to the number of shares they each hold at that time. An offer of this type is called a "rights issue" and the entitlement to be offered a new share is known as a "pre-emption right".

There may be circumstances, however, where it is in the interests of the Company for the Directors to allot new shares for cash other than by way of a rights issue. This cannot be done under the terms of the Act unless the shareholders first waive their pre-emption rights. Resolution 7 asks shareholders to do this, but only for new shares up to a maximum aggregate nominal value of £1,470,247 representing an amount equal to 5% of the allotted and issued share capital of the Company at the date hereof.

The 5% limitation is in accordance with the guidelines issued by the IPCs save that your Directors consider that it is in the best interests of the Company that the limitation should be calculated by reference to the combined issued Ordinary, Preference and Convertible Preferred Ordinary share capital of the Company, rather than just the issued Ordinary share capital, to accommodate the fact that the Preference Shares and

Celtic plc

YEAR ENDED 30 JUNE 2002

Convertible Preferred Ordinary Shares are convertible into Ordinary Shares. The Board does not intend to use this authority to increase the number of issued shares in any of these classes by an amount of greater than 5% of the allotted and issued share capital in that class.

If granted, the Directors will be able to use this power without obtaining further authority from shareholders before they allot new shares covered by it.

There are legal, regulatory and practical reasons why it may not always be possible to issue new shares by way of a rights issue to some shareholders in proportion to their respective shareholdings, particularly those resident overseas. To cater for this, Resolution 7 also permits the Directors to make appropriate exclusions or arrangements to deal with such difficulties.

The power sought by Resolution 7 will last until the earlier of the date of the next Annual General Meeting and 8 December 2002, as required by Article 5(d)(iii).

RESOLUTION 8 (AGM) AND CLASS MEETINGS RESOLUTION

Cancellation of share premium account

This special resolution seeks your consent to the cancellation of the current credit balance on the Company's share premium account. That balance is £21,222,000 and has arisen as a result of previous issues by the Company of its shares at a price which is greater than the nominal value of such shares. The difference between the nominal value and the issue price is known as the premium.

The Companies Act 1985 ("the Act") requires a company which issues shares at a premium to transfer the premium (except in very limited circumstances) to a special reserve called the Share Premium Account. Subject to the limited exceptions permitted by the Act it is treated as part of a company's paid up share capital.

The Act also provides that before paying a dividend, a company's net realised capital and revenue profits must be positive. The Act further restricts the ability of a public company to pay dividends by stating that a company's net assets must exceed the amount of its share capital and undistributable reserves (as defined in the Act) and any distribution, such as dividends, must not reduce the net assets below this figure.

However, the Act does allow the Company to reduce or cancel its share premium account and to create a distributable reserve in its accounts provided that it obtains consent of shareholders in general meeting and the Court of Session in Edinburgh ("the Court"). Under the Company's Articles of Association the consent of Ordinary Shareholders, Preference Shareholders and Convertible Preferred Ordinary Shareholders must also be given at separate class meetings ("the Separate Class Meetings").

As a result of a reorganisation in February 2002, Celtic F.C. Limited is now the main trading arm of the Group. The overall financial position of the Group on a consolidated basis is unchanged although the Company is in a better position to generate profits with a view to the payment of dividends as a result of the restructuring.

However, the Directors recognise that there are a number of variable factors which could influence the Company's ability to generate profit. These include player costs, domestic and European footballing success, broadcasting and media revenues, the ongoing restructuring of football leagues and player transfer systems generally.

The issue of the Convertible Preferred Ordinary Shares last summer has increased the Company's dividend commitments and these may also increase should the First Team continue to progress in the Champions' League.

It is possible that a combination of these variable factors could adversely affect the Company's ability to continue to pay dividends in years to come. The Directors are therefore seeking the consent of shareholders to cancel the Company's share premium account and create a distributable reserve within the Company's accounts in order to safeguard the Company's ability to continue to pay dividends in the future.

Celtic plc

YEAR ENDED 30 JUNE 2002

Court Approval

The cancellation of the share premium account will also require to be approved by the Court and will only become effective when this approval has been obtained ("the Effective Date"). In the present circumstances where the cancellation of a share premium account may lead to a distribution being made to shareholders (as would be the case if the Company were to use the new reserve created out of the cancelled share premium account to fund the payment of the dividends), the Court will require to be satisfied that the interests of creditors of the Company whose debts remain outstanding at the Effective Date will not be prejudiced by the cancellation. The Directors expect to obtain the consent of the majority of the Company's creditors, by value, to the proposed cancellation of the Company's share premium account and will take such further steps as may be required by the Court for the protection of its remaining creditors.

Preference Shareholders

As this resolution relates to a reduction in the capital of the Company, the Articles of Association provide that the Preference Shareholders are entitled to vote on it at the Annual General Meeting.

Class Meetings

The Company's articles of association require Resolution 8 to be approved at the Separate Class Meetings as well. Accordingly, Resolution No. 8 to be considered at the Annual General Meeting is conditional on the passing, at the Separate Class Meetings of extraordinary resolutions consenting to the passing of Resolution No. 8 at the Annual General Meeting. These extraordinary resolutions will require the approval of at least 75 per cent of the votes cast at the Separate Class Meetings.

If the extraordinary resolutions are not passed at the Separate Class Meetings, AGM Resolution No. 8 will not become effective.

It is the intention of the Directors to apply for the Court's consent to the proposed cancellation of the share premium account as soon as possible after the passing of this resolution and the extraordinary resolutions to be proposed at the Separate Class Meetings.

In connection with the Separate Class Meetings, Ordinary Shareholders should complete the **YELLOW** form of proxy, Preference Shareholders should complete the **GREEN** form of proxy and Convertible Preferred Ordinary Shareholders should complete the **PINK** form of proxy.

In view of the quorum requirements for the Separate Class Meetings, Shareholders are particularly requested, whether or not they intend to be present at any of the relevant meetings, to complete, sign and return the relevant forms of proxy in the envelope provided to the Company's Registrars, Computershare Investor Services PLC, P.O. Box 1075, The Pavilions, Bridgwater Road, Bristol, BS99 3FA as soon as possible, but in any event no later than 24 hours before the times appointed for the Separate Class Meetings. The completion and return of a form of proxy will not preclude a Shareholder from attending the Separate Class Meetings and voting in person should he or she subsequently wish to do so.

RECOMMENDATIONS

The Directors believe that the proposals outlined above are in the best interests of the Company and its Shareholders as a whole and recommend you to vote in favour of these Resolutions as they intend to do in respect of their own beneficial holdings.