

# **Celtic plc**

**ANNUAL REPORT**

**YEAR ENDED 30 JUNE 2005**

**Registered No: SC 3487**



# Celtic plc

## ANNUAL REPORT

### YEAR ENDED 30 JUNE 2005

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**Celtic plc**  
**ANNUAL REPORT**  
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## **SUMMARY OF THE RESULTS**

### **Operational Highlights**

- Winners of the Tennents' Scottish Cup.
- Participation in the UEFA Champions' League Group Stage.
- Contract extensions awarded to John Hartson, Neil Lennon, Bobo Balde and Craig Beattie.
- Appointment of Gordon Strachan as Football Manager.
- NIKE appointed as new kit manufacturer on lucrative 5 year deal until 2010.
- Enhanced shirt sponsorship contract agreed with Carling until 2010.

### **Financial Highlights**

- Group turnover decreased by 9.9% to £62.17m.
- Operating expenses reduced by 9.5% to £58.07m.
- Profit from operations of £4.10m (2004: £4.87m)
- Exceptional operating expenses of £2.96m (2004: £0.39m).
- Loss after taxation of £7.73m (2004: £7.47m).
- Year-end debt of £19.5m (2004: £15.8m).

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## ANNUAL REPORT

### YEAR ENDED 30 JUNE 2005

#### DIRECTORS, OFFICERS AND ADVISERS AS AT 30 JUNE 2005

##### Directors

Brian Quinn CBE (Chairman)\*  
Peter T Lawwell (Chief Executive)  
Eric J Riley (Financial Director)  
Thomas E Allison\*§  
Dermot F Desmond\*  
Eric Hagman CBE\*  
Brian J McBride\*  
Brian Wilson\*

\* Independent Non-Executive Director

§ Senior Independent 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

Peter T Lawwell  
Eric J Riley  
John S Keane\*  
Michael A McDonald\*  
Kevin Sweeney\*

##### Football Manager

Gordon Strachan

##### Auditors

PKF (UK) LLP  
78 Carlton Place  
Glasgow, G5 9TH

##### Solicitors

McGrigors  
Pacific House  
70 Wellington Street  
Glasgow, G2 6SB

##### Bankers

The Co-operative Bank plc  
29 Gordon Street  
Glasgow, G1 3PF

##### Remuneration Committee

Thomas E Allison (Chairman)\*  
Brian J McBride\*  
Brian Quinn CBE\*

##### Audit Committee

Eric Hagman CBE\*(Chairman)  
Thomas E Allison \*  
Dermot F Desmond \*  
Brian J McBride\*

##### Nomination Committee

Brian Quinn CBE (Chairman)\*  
Thomas E Allison \*  
Dermot F Desmond \*

##### Stockbrokers

Seymour Pierce Limited  
Bucklersbury House  
3 Queen Victoria Street  
London, EC4N 8EL

##### Registrars

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol, BS99 3FA

##### Web Site

[www.celticfc.net](http://www.celticfc.net)

# Celtic plc

## CHAIRMAN'S STATEMENT

Taking the year 2004/2005 as a whole, the factors contributing to Celtic's strong financial performance in the first half of the year were largely reversed in the second half, as I forewarned in commenting on the half-year results. Exit from Europe, combined with fewer home games in domestic competition, brought a sharp reduction in revenues in the second half, so that for the year as a whole profit from operations, at around £4 million, and loss after taxation of £7.7 million, were similar to last year.

Celtic's performance on the football field was mixed. The team again participated in the UEFA Champions' League group stage, recording good results against AC Milan and Barcelona; and retained the Tennents' Scottish Cup with a record 33<sup>rd</sup> success. However the Bank of Scotland Premierleague title was surrendered in the final minutes of the last day of the season, a very disappointing ending to a long and taxing League Championship.

On the face of it, last year marked a pause in the remarkable run of success enjoyed by Celtic in recent years. Turnover was down for the first time in ten years, with sales of merchandise in particular falling fairly sharply following several years of uninterrupted growth. Net debt rose to £19.5 million. It is, however, important to look behind and beyond a single year's figures.

Football and multimedia revenues, comprising 77% of total income last year, are especially sensitive to progress in European competition, and our failure to go beyond the end of the year in either the UEFA Champions' League or the UEFA Cup had a significant effect on revenues. Likewise, merchandise sales suffered from exceptional and extraneous factors, notably the general malaise in retail sales and the switch to a new partner in this area, which had a negative short-term effect.

Over a longer period the picture looks quite different. In the last five years, revenues have grown from £42 million to £62 million and profit from operations has been consistently positive. Backed by strong performances in domestic competitions and a high profile in Europe, the Celtic brand has clearly strengthened and expanded. Perhaps most important, but little appreciated, the Company has come through the first real recession in the football sector, achieving football success while avoiding the financial difficulties that have afflicted so many clubs both in the UK and in Europe more generally.

We believe we have learned important lessons from this experience, lessons that will inform our actions looking ahead. For example, careful management of costs, particularly football players' contracts, is essential, if unpopular at times. Thinking about the length and composition of these contracts has changed over this five year period and we believe we are now applying best practice in this area, while recognising that bringing about visible benefits takes a little time. We have also made progress in achieving a greater degree of insulation for revenues from the effect of set-backs in football results. Contracts with minimum guaranteed amounts e.g. in respect of merchandise (NIKE) and shirt sponsorship (Carling), now provide underpinning for football ticket sales. Peter Lawwell and his management team deserve great credit for adopting and executing this strategic step. Season tickets have held up well over the 5-year period at between 53,000 and 54,000, and attendance at home games at Celtic Park have also been sustained at between 57,000 and 59,000, a quite remarkable demonstration of the support that Celtic enjoys. Taking all of these factors together, we believe we are building a strong, successful business at Celtic Park.

Of course, the business must be based on the success of our football team. Under the management of Martin O'Neill Celtic enjoyed dominance in Scotland and re-emerged as a European force. The squad that delivered this success needs significant refreshing and we have begun the challenging job of rebuilding, a task that cannot be rushed and which has to be accomplished, if possible, without an appreciable drop in standards. Gordon Strachan, the successor to Martin, is fully on board as we go through the transition. This summer we have already arranged the departure of ten players and we have recruited seven. I believe supporters acknowledge that changes on this scale are not always negotiated smoothly and are ready to give Gordon the time needed to bring about the reconstruction of the squad.

Our younger players will help in this task. The reserve and under 19 teams won their respective championships and Celtic, like many other SPL clubs, expects home-grown players to play a prominent part in future Celtic teams. We will expand our scouting arrangements, looking beyond the UK, and we have now announced our preferred choice of location for a new and modern training facility. No company, whatever field of activity they may be in, can neglect to invest in the business; failure to do so results inevitably in longer-term problems. This strengthening of our football infrastructure and the need to maintain a sound financial base have clear implications for our resources going forward and we are currently examining options in consultation with our bankers and financial advisers.

We have also begun to look beyond Europe for new footballers. Shunsuke Nakamura, a Japan international, was signed in the summer and we continually consider the possibility of other international signings joining Celtic. These players open up the prospect of exploring new markets for the Celtic brand; but these markets are real rather than prospective only if the players play regularly for the Club, and that will in turn happen only if they are good enough. It is,

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## CHAIRMAN'S STATEMENT

nevertheless clear that the football market, whether for players or for commercial opportunities, has expanded at a quite extraordinary pace in recent years. Celtic cannot ignore the benefits that these developments might bring to the Club.

Scottish football clubs now appear to have come through the worst of the recent football recession. Several have emerged from administration and all have applied themselves to the objective of achieving sustainable financial stability. Management and Boards of Directors are looking beyond the immediate pressures to the longer-term imperatives affecting their clubs. Squad sizes and remuneration packages now more closely reflect the need to match input with output, to achieve value for money spent and to do all the things companies in other sectors have had to do to ensure survival.

These objectives could be more easily accomplished if reliable data on all transfers and contracts were published regularly. Football must be one of the few sectors where the value of the main assets – the players – remains primarily a matter of rumour and conjecture. The involvement of player's agents adds a further layer of obscurity. Managing a football company against this background is made appreciably more difficult as a result. Of course all clubs would have to make this data available – from the largest to the smallest – if a proper and competitive market for footballers were to function effectively. And account would have to be taken of the interests of the players themselves. This information has long been available in some other sports, notably in the United States, without obvious adverse effects. Thought should be given by the football authorities and accounting profession to a more transparent market for footballers and, by extension, to the valuation of football stadia, the principal fixed asset of clubs.

I should like to take this opportunity to record our thanks and indebtedness to Martin O'Neill for his time as manager of Celtic. He was an inspiration and a leader of the highest quality. Celtic Football Club rose to an altogether higher level during his tenure. The players and supporters enjoyed a sense of pride absent from Celtic Park for a generation. I doubt if many people were aware of the great personal pressures Martin has endured during his wife's illness. But he continued throughout to present a positive face despite a punishing schedule of travel and consultations with doctors and specialists. I know he also derived great support from John Robertson and Steve Walford, his able assistants at Celtic Park. I am sure all Celtic supporters will join me in wishing Geraldine a full recovery and Martin an early return to football.

We are delighted to have secured the services of Gordon Strachan as successor to Martin O'Neill. He has thrown himself into the job, showing great enthusiasm and determination to sustain Celtic's position. Transitions on the scale we are currently engaged in do take time and we are determined, along with Gordon, to get it right. Football supporters are, almost by definition, impatient for success; but I am confident our legendary support, famous throughout the world, will understand if the process of rebuilding is not necessarily achieved overnight. I ask for their backing in the expectation that it will be forthcoming.

**Brian Quinn CBE**  
Chairman

**19 August 2005**

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## OPERATING REVIEW

### INTRODUCTION

The last 12 months have been an eventful time on the field for Celtic. We won the Tennents' Scottish Cup, while narrowly missing out on retaining the Bank of Scotland Premierleague title, and we participated in the UEFA Champions' League group stage in what was acknowledged as the most difficult group, competing against AC Milan, Barcelona and Shakhtar Donetsk.

In the Bank of Scotland Premierleague, we were just a few minutes away from retaining our title, though it was to the credit of the team that they were able to recover from the disappointment at Fir Park to win the Tennents' Scottish Cup the following weekend at Hampden. That game was also the last competitive fixture of Martin O'Neill's tenure as manager.

After five excellent years in charge, during which we won the Bank of Scotland Premierleague three times, the Tennents' Scottish Cup twice, the CIS Cup once and, of course, reached the UEFA Cup final in 2003, Martin indicated that he wanted to step down as manager for family reasons. The circumstances surrounding his departure were tinged with sadness and the thoughts of everyone in the Celtic family are with Martin and his family.

Following the success that the Club had enjoyed since his appointment in 2000, it was fitting that Martin, along with his assistants, John Robertson and Steve Walford, accepted the Tennents' Scottish Cup after our victory against Dundee United.

In Gordon Strachan, we have appointed a manager who we believe will continue to bring success to the Club. He has a wealth of experience gained from years as a player and a manager, and an impressive knowledge of the game. Gordon has already spoken of his excitement at joining Celtic and of his desire to win. First and foremost, that means winning the league title.

### FINANCIAL PERFORMANCE

Group turnover has reduced by £6.85m, 9.9% to £62.17m from 2004, largely as a result of 4 fewer home games being played in the year, including three UEFA Cup games played in the second half of last season. In the current year, turnover benefited from the high take-up of standard season tickets, together with the revenues generated from participation in the group stage of the UEFA Champions' League.

Operating expenses, excluding exceptional operating costs, have declined by £6.08m, 9.5% to £58.07m, predominantly due to reduced cost of sales particularly within merchandising and catering, labour costs both football and non-football and other direct overheads related to activity in the year.

Exceptional operating expenses at £2.96m mainly reflect the costs incurred in the early termination of certain players' contracts whereas those incurred last year reflected the implementation of a cost rationalisation plan.

The amortisation charge of £7.34m is down almost 32% on last year reflecting the reduced carrying value of the first team squad and a decline in the value of transfer fees paid in recent years.

The pre tax loss reported of £7.73m, despite the reduction in operating expenses and amortisation as noted above, re-emphasises the ongoing challenge to match football success with financial stability. Total debt rose to £19.50m from £15.80m as at 30 June 2004.

### FOOTBALL INVESTMENT

We have embarked on a rebuilding process and have made a significant investment in the football team, with seven new players signing during the close season - Maciej Zurawski, Shunsuke Nakamura, Artur Boruc, Paul Telfer, Mo Camara, Adam Virgo and Jeremie Aliadiere. A number of players left the Club - Paul Lambert, Jackie McNamara, Robert Douglas, Magnus Hedman, Ulrik Laursen, Momo Sylla, Joos Valgaeren, David Fernandez, Craig Bellamy, Stephane Henchoz, Bobby Petta, Henri Camara and Juninho - and we thank them all for their contributions to our success in recent seasons. In addition, contract extensions were awarded to John Hartson, Bobo Balde, Neil Lennon and Craig Beattie. These changes have given us the opportunity to refresh the playing pool as well as recalibrate the wage bill, while still maintaining and possibly improving the quality of the playing squad, and we look forward to the team having a successful year.

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## OPERATING REVIEW

### FOOTBALL OPERATIONS

Revenue from Football Operations was reported as £31.43m.

This was achieved mainly as a result of strong season ticket sales in both standard and premium areas following a price increase of 5%. Demand for season tickets during the 2004/2005 season remained strong, with sales of 50,805 in standard and 2,564 in premium. During the season, the Club's Ticket Office sold a total of 565,549 tickets for 59 first team matches. 400,826 tickets were sold for our 27 home matches and a further 164,723 for matches played at away or neutral venues.

The UEFA Champions' League proved a major attraction for our supporters once again and ticket sales from our three home matches generated revenues of just over £4m. Celtic supporters took up 90% of the tickets offered for matches not played at Celtic Park. This was a tremendous response and once again Celtic supporters proved their importance to both the Club and Scottish football by travelling in such number all over the country, and indeed Europe, to back the team.

At the beginning of the 2004/2005 season, in an effort to improve on customer service levels and reduce waiting times, Ticketmaster was contracted to sell tickets for our home matches through their state-of-the-art call centre. This partnership worked well in its first year, with a total of 48,574 tickets sold through this channel. In addition, Ticketmaster have supported our popular online booking facility, and both these initiatives will continue to be developed along with our new SMS booking service which was successfully piloted last season and is now fully operational for away match ticket bookings.

### YOUTH DEVELOPMENT

Revenues from Youth Development were £1.54m in comparison to £1.36m last year.

The Club continues to see the benefits of substantial investment in our Youth Academy, with a number of talented young players making the breakthrough to the first team squad in the past 12 months. That is due to the hard work and dedication of everyone in the youth development set-up. The Club has also acquired rights on a conditional basis to purchase land on the site of the former Lennox Castle Hospital, which has been earmarked as the preferred location for a training and Youth Academy facility.

With Tommy Burns having been appointed as first team coach, in addition to his role as Head of Youth, Willie McStay will now assist Tommy in the day-to-day running of the Academy. Willie will continue to coach the Under 19's who, last season, won their League Championship and the SFA Youth Cup. The reserve squad, coached by Kenny McDowall, also won its League Championship for the fourth year in a row. Both squads contain players who are still of an age to play at a younger level, which is a further indication of the quality of the players at Celtic and bodes well for the future.

Former youth players Craig Beattie, Shaun Maloney, Aiden McGeady, David Marshall, Stephen McManus and Ross Wallace have all made valuable contributions in the past 12 months, while Paul Lawson and Michael Gardyne recently made their first-team debuts in the pre-season friendly against Leeds United.

Donations from Celtic Development Pools continue to provide much of the funding for the Youth Development operation. Celtic Pools remains the most successful small lottery within the British football sector. To assist in maintaining this position, easier methods of paying the weekly pools such as on-line and direct debit payments are now options being marketed to supporters. Other online opportunities will also be explored.

### CELTIC IN THE COMMUNITY

Celtic in the Community provides a coaching service tailored to meet the needs of children, teenagers and adults. Since the inception of the scheme in June 2003, over 200,000 attendees have been involved in coaching courses and services provided by Celtic in the Community. The Celtic in the Community programme also provides a pathway into our Youth Academy. Over 100 youngsters have been identified and invited into the Development Centre Programme and four have made their way into the Academy itself.

The Community Department is now self-financing and generates a small profit for the Club.

During this time, Celtic in the Community has established excellent partnership arrangements with a number of public, voluntary and private agencies to develop and deliver the notion of stronger local communities. The Celtic in the Community programme now operates in Ireland in partnership with Topflight Soccer. Over 1,000 youngsters (boys and girls) participated in the week-long summer programme. 88 camps were operated in Scotland and Ireland this summer.

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## OPERATING REVIEW

### MERCHANDISING

Merchandising had a difficult year, which was reflected throughout the retail industry. Sales of £10.06m were 25.1% down on the previous year. This was largely attributable to a general slowdown in high street retail, lower margins and the change of kit manufacturer from Umbro to NIKE.

The NIKE brand is one of the world's most popular and will provide Celtic with a global opportunity to market our unique and popular football kits. Sales of the new home kit are encouraging and with the full range of NIKE product now in store we hope to see a sharp upturn in fortunes within our retail operation. Our Celtic Mail Order and Internet Sales Operations have now been transferred to Kitbag, a specialist company who already work with a number of other top clubs, including Chelsea, Manchester United and Barcelona, as well as with UEFA and NIKE. Their greater call-handling capacity will bring significant benefits to our customer service standards.

We have increased the number of retail outlets, with a new store opening in East Kilbride. Further openings are planned for stores in Clydebank and Coatbridge, which will take our total to twelve.

### MULTIMEDIA

Total Multimedia revenues at £16.60m compare to £16.06m in 2004.

The Club's Multimedia Division has undergone restructuring since the joint venture with Setanta to set up Celtic TV was launched at the start of this past financial year. Several personnel from the Multimedia Division moved to join the new company and those who remained at the Club have concentrated on expanding the online web services at celticfc.net through subscription channels, providing video editorial for the Football Department, producing video and DVD products for the Merchandising Division, developing pay-per-view events and managing the Club's own TV rights.

Celtic Replay and Celtic Live (an internet service offering live video to ex-UK & Ireland users) have changed to Channel 67 Online (Replay) and Channel 67 Online+ (Live). The celticfc.net site is being redeveloped and the intention is to launch a fully functional Japanese site at the same time as the re-launch of celticfc.net. Further development of the Japanese market will continue with active marketing of Channel 67 Online+ in that territory.

At the end of its first full year Celtic TV had approximately 17,000 subscribers. The plan for the future, to suit the needs of both partners, is that Celtic TV will become a licensed Celtic brand operated by Setanta and the Club will receive a licence fee.

We have also signed a new publishing deal with CRE8, who will now design and produce the Celtic View and the matchday programme and this will give us a guaranteed income for the next five years. They are an award-winning company and are looking forward to working with such a strong brand as the Celtic View.

### PARTNER PROGRAMME

The appointment of NIKE as exclusive Club sponsor for products and kit in a 5-year deal worth a minimum of £25m, subject to contractual conditions, to Celtic strengthened the Partner Programme.

Further success for the Partner Programme was established when Coors Brewers Limited extended the Old Firm shirt sponsor agreement to 2010, under their increasingly popular Carling brand.

Season 2004/05 also saw the introduction of Thomas Cook as the Club's Official Holiday Partner and Direct Choice as Official Insurance Partner, both of whom were carefully selected for the added value they can bring to the Club and to the support.

The above join our long-standing partners T-Mobile, Phoenix, MBNA, Lonsdale Travel, Lindley Catering and Ladbrokes, all of whom we are pleased to continue working with in the Partner Programme.

These major relationships go a long way to securing a major proportion of our income streams over the next five years.

### STADIUM

Overall stadium revenues were £2.54m in the year, a reduction of £0.91m from 2004, largely as a result of outsourcing concourse catering.

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## OPERATING REVIEW

### FACILITIES

Following a review of costs and service provision, the existing outsourcing contract with Alfred McAlpine Business Services was terminated in April 2005 and the function was brought in house.

### CATERING AND CORPORATE HOSPITALITY

Season 2004/2005 was one of consolidation for our Catering and Corporate Hospitality division after some significant changes last season. These have resulted in considerable improvement in our service and quality within these areas and we have experienced an improvement in our financial performance for the year.

We enjoyed a successful first year with Lindley Catering Ltd as our concourse catering provider and look forward to more success with them in the remaining four years of that contract. A major course of refurbishment works has been undertaken in the South Stand boxes, Walfrid Kitchen and Kerrydale Suite for the season ahead.

### STADIUM DEVELOPMENT

During the course of the year, Celtic worked in close liaison with the Glasgow City Council Safety Team for Sports Grounds to seek to enhance the safe management of spectators accessing the Stadium. Various physical improvements to the environment in and around Celtic Park were implemented. These included the installation of additional gate access at Janefield Street East and West, an increase in the number of turnstile entry points to improve access for spectators, hard landscaping of existing ground to enhance safer circulation and improved lighting in the Janefield Street area.

The Club will continue to place spectator safety as its highest priority and during the forthcoming season will introduce colour coded tickets to improve access for spectators and will undertake a pilot study of SMART Card Entry Systems and associated technology at Celtic Park.

### SUPPORTER RELATIONS

Throughout the past year we have maintained our monthly meeting cycle with supporters' representatives and I am pleased to say that the constructive nature of these meetings has allowed our good relations to continue. In addition, the Chairman and other Directors have attended supporter functions in Scotland and Ireland.

It is important that supporters are fully aware of what is going on behind the scenes and we have tried where practical to ensure this has been the case. Additionally this season we have introduced some new initiatives such as invitations to press conferences at Celtic Park and have actively supported the initiative of a singing section for home games.

Customer Service is another area, which we take extremely seriously and we believe that we have made great strides in this area in all aspects of the business and will continue to work with supporters to ensure that we reach the standard expected.

Everyone at the Club appreciates the contribution provided by our supporters around the world and we look forward to that being continued in the coming year.

### CELTIC CHARITY FUND

Celtic Charity Fund has continued to build on the success of last year when the Fund reached the milestone of £1m in funds raised since its formation in 1995. Fundraising activity has been extremely successful again this year with a number of worthy causes benefiting from Celtic Charity Fund support. A more detailed report on their activities is contained on pages 45 and 46.

The Club would like to thank all those who have contributed to the success of the Charity Fund including supporters, players, Trustees and the fund raising action group.

### WORK WITHIN THE LOCAL COMMUNITY

Celtic continues to play an active role within the local community. Through a range of partnerships, the Club continues to honour the ambitions of the Club's founders as an institution for all, working to assist those in need and ensuring opportunity for young people in particular. Celtic has worked with Glasgow City Council and other agencies to deliver a number of projects such as youth football initiatives and activities aimed at combating racism and sectarianism.

We were pleased during the year to continue our support of the Sense over Sectarianism initiative, which brings together Celtic Football Club, Rangers Football Club, the Catholic Church and Church of Scotland as well as Glasgow City

# Celtic plc

## OPERATING REVIEW

Council to fund a range of local initiatives aimed at combating sectarianism. During the year many projects have been launched and extensive work undertaken with young people through the school curriculum.

Celtic was also delighted in April of this year to launch the Old Firm Alliance project in conjunction with Rangers Football Club. The project is supported financially by the Social Justice Resources Fund through the Glasgow Alliance and aims to educate young people on the benefits of a healthier lifestyle, provide them with positive role models and challenge racist and sectarian attitudes and other anti-social behaviour.

Celtic Education continues to use the focus of Celtic to develop the skills, motivation and confidence of young people who have faced challenges at school. Thousands of young people have already benefitted from this project in terms of increased self-esteem, improved health and fitness, and increased positive behaviour.

The Club also hopes to be in a position in the near future to announce the opening of a new study and education facility at Celtic Park, developed in association with Glasgow City Council and to be used by young people within the local community.

Around 50 pupils from local schools have enjoyed a week of structured work experience at Celtic Park during the year.

### HUMAN RESOURCES

We continued to strive for improvements in internal communication during the year. Feedback from the 2004 Colleagues' Opinions Survey resulted in the resumption of regular Colleagues' Meetings and the launch of a new Information and Consultation forum. Further progress was also made in implementing the action plan for Health and Safety.

The hard work and contribution of all colleagues in another challenging year is once again greatly appreciated.

### SUMMARY AND OUTLOOK

The defeat by Artmedia Bratislava in the UEFA Champions' League qualifier was massively disappointing and presents a number of operational and financial challenges that are now being addressed. Most importantly, we will provide Gordon Strachan with every possible assistance in the development of the first team and his review of the other football operations. We plan to strengthen our scouting and coaching network and progress the development of our Youth Academy facility at the Lennox Castle site. In addition, season ticket sales for 2005/2006 have been encouraging and the new contracts agreed with NIKE, Carling and Kitbag, together with the revenues generated from our partner programme and Japanese initiatives, allow us to move forward with some optimism. The benefit of these new contracts will be reflected in the coming years. In addition, the close season transfer activity resulted in a substantial reduction in football wage costs and this, together with a planned reduction in amortisation costs will result in a reduced cost base and a sustainable financial position.

We will remain focussed in our quest for continued domestic football success and to bring UEFA Champions' League football back to Celtic Park on an annual basis.

**Peter T Lawwell**  
Chief Executive

**19 August 2005**

# Celtic plc

## FINANCIAL REVIEW

### 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

Participating as Scotland's only representative in the UEFA Champions' League group stage and success in retaining the Tennents' Scottish Cup contributed to the Group's annual trading results. Turnover has reduced by £6.85m (9.9%) to £62.17m from 2004 having played 27 home matches in comparison to 31 last year. Operating expenses reduced by £6.08m (9.5%) to £58.07m predominantly due to reduced cost of sales, labour and other overheads directly related to activity in the year. As a result, profit from operations of £4.10m compares with £4.87m last year. Exceptional costs of £2.96m were incurred following the early termination of a number of employment contracts and a provision for impairment re intangible fixed assets. The net loss for the year after provision for exceptional costs, amortisation of intangible fixed assets, loss on disposal of fixed tangible and intangible assets, interest and tax amounted to £7.73m in comparison to a loss of £7.47m in 2004. Dividends of £1.44m are payable which provides a retained loss for the year of £9.18m (2004: £8.93m).

### 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 Operating Review on pages 5 to 9.

Revenues from football operations declined by £3.30m (9.5%) to £31.43m largely as a result of 4 fewer home games being played in the year, including 3 high value home UEFA Cup games played in the second half of last season. In the current year turnover benefited from the high take-up of standard season tickets following a price increase of approximately 5%, together with the revenues generated from participation in the group stage of the UEFA Champions' League.

Multimedia revenues at £16.60m are up £0.54m (3.4%) on the levels achieved in 2004 principally as a result of being Scotland's only representative in the group stage of the UEFA Champions' League, offset by revenue lost from playing 3 fewer UEFA Cup matches.

The merchandising operation reported a reduction in turnover of £3.36m (25.1%) to £10.06m largely as a result of much slower than expected sales following the launch of the new Umbro home strip in a very competitive retail market. In addition, the announcement of the new 5-year NIKE kit sponsorship agreement had an adverse impact on the sale of Umbro products and resulted in a meaningful reduction in the selling price of such products in order to clear all remaining Umbro stock prior to 30 June 2005.

Income from stadium enterprises has declined by £0.91m to £2.54m mainly because of stadium catering being outsourced. This year stadium catering generated fee income of £540,000 in comparison to sales of £1.39m in 2004, which included 4 additional home games.

Youth development income at £1.54m has increased by £0.18m (13.3%) over the last year, substantially due to the successful implementation of the community soccer schools programme.

### Operating Expenses

Total operating expenses, excluding exceptional operating costs, have declined by £6.08m (9.5%), to £58.07m, predominantly due to reduced cost of sales, labour costs and other overheads such as matchday costs, travel and accommodation which are directly related to trading activity in the year.

The reduction in cost of sales of £1.42m is mainly related to the reduction in retail turnover of £3.36m.

Total labour costs reduced by £3.11m (7.7%), to £37.39m. The non-football divisions reported a reduction in labour costs over last year of £0.53m. However, the most significant saving in labour costs was in respect of professional football and youth development which was down on the previous year by £2.58m. Much of this saving was due to a saving in success, loyalty and bonus payments to the first team this year in comparison to last.

Although there has been a saving in total wage costs in the current year, the ratio of total labour costs to turnover has increased to 60.2% from the 58.7% reported last year. This ratio which incorporates the incremental revenue from European progress, compares with an average of 61.2% recently reported for the English Premiership in season 2003/04.

# Celtic plc

## FINANCIAL REVIEW

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 but a large element of our labour cost is relatively fixed because of the nature and duration of a number of player contracts concluded in previous years.

The intent of the Celtic Board is to achieve a managed ratio between turnover and labour costs. Ongoing financial controls are in place to ensure that labour costs are maintained at a manageable level, particularly in relation to turnover. It is acknowledged that the football sector remains financially difficult although there is a desire to assist in delivering on-field success. The ability to field a competitive side and retain control on costs remains a challenge. The player trading activity completed during the 2005 close season has reflected such a balanced approach and this will be continued as the organisation moves forward. The biggest challenge facing your Board is the management of salary and transfer costs whilst achieving playing success in order to yield satisfactory financial return.

### **Exceptional Operating Expenses**

The exceptional operating expenses of £2.96m reflect £1.56m of operating costs and a £1.40m provision for impairment to intangible fixed assets. The majority of these costs reflect the early termination of employment contracts and impairment provision in respect of football players who have been sold or released prior to the start of the 2005/06 season. In the prior year the exceptional operating expenses of £0.39m reflect the redundancy and other ancillary costs incurred in respect of implementing the rationalisation plan in that year.

### **Amortisation Costs**

The amortisation charge in the year of £7.34m represents a decrease of £3.43m (31.8%) in comparison to the year to 30 June 2004 mainly as a result of the elimination of the charge in respect of football players who left at the end of the 2003/2004 season and a reduction in the annual charge resulting from contract extensions signed prior to the start of the 2005/2006 season.

### **Net (Loss)/Gain on Disposal of Intangible Fixed Assets**

The loss on disposal of £139,000 reflects the transfer of Henri Camara to Southampton and the disposal of certain youth players.

The net gain on sale of £306,000 last year represents the gain on sale of Stephen Crainey to Southampton and Mark Fotheringham to Dundee offset by the free transfer of Steve Guppy to Leicester City.

### **Loss on Disposal of Tangible Fixed Assets**

The loss on disposal of tangible fixed assets in the year of £103,000 reflects the disposal of plant, fixtures, fittings and equipment following the refurbishment works carried out, predominantly to parts of the South Stand.

### **Joint Venture**

The Group's 50% investment in Setanta (CTV) Broadcasting Limited is incorporated within the Financial Statements under the gross equity method, in accordance with FRS9. The joint venture reported a break-even position for the period ended 30 June 2005 such that no share of any gain or loss is reported in the Group's Financial Statements for the year to 30 June 2005.

### **Interest**

The interest payable for the year to 30 June 2005 of £1.29m (2004: £1.34m) reflects interest due on the Group's overdraft and term loans.

### **Taxation Provision**

No provision for corporation tax is required in respect of the year ended 30 June 2005. The provisional tax computation for accounts purposes provides tax losses carried forward of approximately £42m as at 30 June 2005 and an available capital allowances pool of £17.30m.

The value of the deferred tax asset not reflected in the financial statements of the Group is £10.80m, which will also be recoverable to the extent of future taxable profits of the Group.

# Celtic plc

## FINANCIAL REVIEW

### Dividends – CCP and CPO

The dividends payable reflect the dividend of 6% on the Convertible Cumulative Preference Shares payable on 31 August 2005 and the 4% dividend accrued on the Convertible Preferred Ordinary Shares payable on 31 August 2005. The reduction in the dividend charge from 2004 of £10,000 reflects the impact of Preference Share conversions to Ordinary and Deferred Shares during the year. The dividend reinvestment scheme will also result in the cash paid out in dividends reducing by about £40,000.

### Tangible Assets

The additions to tangible fixed assets in the year of £2.28m are represented mainly by upgraded facilities in the South Stand, a new Champions Club Sports Bar in the North Stand, new full height turnstiles, a new premium ticket sales office, the opening of a retail unit in East Kilbride and an extended warehouse facility, in addition to further improvements to information technology equipment.

### Intangible Assets

The decrease in the net book value of intangible assets from 30 June 2004 of £6.78m to £5.25m reflects the investment in the playing squad of £2.34m less the amortisation charge of £7.34m, the net book value of disposals of £0.38m and a provision for impairment of player registrations of £1.40m under exceptional operating expenses above. The investment in the playing squad is largely represented by the loan fees paid in respect of Henri Camara and Craig Bellamy. However, additional capital instalments were also paid in respect of existing players.

### Stock

The level of stockholding at 30 June 2005 of £1.99m compares to £1.76m as at 30 June 2004. The increase is largely attributable to the uplift in stock of new NIKE merchandise.

### Debtors

The level of debtors at 30 June 2005 is down on last year by £0.68m. Much of the reduction is as a result of an increased level of TV rights income being received pre year-end in 2005 compared to 2004.

### Creditors Due within One Year

Creditors falling due within one year is reported as £14.08m at 30 June 2005 in comparison to £15.61m at 30 June 2004. The reduction in other taxation and social security reflects a lower VAT liability (£0.5m) than 2004 together with reduced levels of PAYE and NIC as a combined result of the reduced labour costs in the year and a reduction in the level of end of season success and loyalty payments in comparison to 2004. Dividend accruals have reduced by £1.65m to £1.44m. The proposed dividends reflect the annual dividend of £0.54m (2004: £0.55m) payable in respect of the Convertible Cumulative Preference Shares and £0.90m (2004: £2.54m) payable in respect of the Convertible Preferred Ordinary Shares for the period. These dividends are payable on 31 August 2005 in cash to those shareholders not participating in the dividend reinvestment scheme and in Ordinary Shares to those who have made valid elections. Last year the accrued dividend for the Convertible Preferred Ordinary Shares was £2.54m for the period 1 August 2001 until 30 June 2004.

Deferred income is at a level consistent with last year.

### Creditors Due after More than One Year

Creditors due after more than one year is reported as £19.50m at 30 June 2005 in comparison to £16.00m the previous year. This reflects an increase in amounts drawn down under the Company's £24.00m term loan facility at £19.50m in comparison to £16.00m at the same time last year.

### Funding

The cash generated from trading operations has been more than utilised by the significant funds invested in tangible and intangible fixed assets together with interest and dividend payments of £4.39m and has resulted in the net debt at 30 June 2005 increasing to £19.50m (2004 £15.80m). The net debt figure incorporates all bank loans, overdrafts, other loans and cash as detailed in the cash flow statement on page 31.

# Celtic plc

## FINANCIAL REVIEW

The Group has internal procedures in place to ensure efficient cash flow and treasury management in order to maximise return or minimise risks where appropriate. Details of the Group's financial instruments and debt profile are included in Notes 18, 20, 25 and 27 to the Financial Statements.

### **International Accounting Standards**

The Group will be required to first adopt International Accounting Standards (IAS) when preparing its Financial Statements for the year ended 30 June 2006. In preparation for this the Group has, in conjunction with its auditors, identified the key standards, which will impact upon the Financial Statements and taken steps to ensure the availability of comparative figures. Accounting for financial instruments, earnings per share and segmental reporting are those areas where we expect IFRS to have the most impact on our financial statements.

The adoption of IAS32 and 39 will result in the reclassification of certain types of share from shareholders' funds to debt in the balance sheet under IAS. This will result in an element of the non-equity shares being reclassified as debt or a hybrid of debt and equity with a resultant diminution in net assets. It is currently assessed that had the Financial Statements for the year ended 30 June 2005 been prepared under IAS then net assets would have been reported approximately £4.50m lower. In addition, this reclassification of certain dividends to interest/finance costs and a different denominator in number of shares used for the EPS calculation per IAS33 will result in different EPS being quoted under IAS than UK GAAP. It is widely accepted that EPS will become more volatile under IAS.

Under IAS 14, Segment Reporting, additional disclosure will be required of the results of what are defined as reportable segments. The Group has made progress in identifying such reportable segments and has determined, that while these are not expected to be significantly different to the current five operating divisions, additional information will be required and accounting systems have been adapted to accommodate this.

Given the above procedures have been, and continue to be, implemented it is considered that a successful conversion to financial reporting under IAS will be achieved.

**Eric J Riley**  
**Financial Director**

**19 August 2005**

# Celtic plc

## DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements for the year ended 30 June 2005.

### PRINCIPAL ACTIVITY

The principal activity of the Group continues to be the operation of a professional football club together with related and ancillary activities. Details of the Group's activities can be found in the Operating and Financial Reviews.

### RESULTS AND DIVIDENDS

Group turnover is reported as £62.17m in comparison to £69.02m in 2004. Operating costs at £58.07m have reduced by 9.5% resulting in a profit from operations of £4.10m (2004: £4.87m). The loss on ordinary activities before taxation amounted to £7.73m (2004: £7.47m).

The Preference Share dividend of 6% will be paid on 31 August 2005 to those preference shareholders on the register at 15 July 2005 and not participating in the dividend reinvestment scheme. The Fixed Preferred Dividend (as defined in the Articles of Association) on Convertible Preferred Ordinary Shares of 4% will be paid on 31 August 2005 to holders of those shares on the register at 30 June 2005 and not participating in the dividend reinvestment scheme. No Participating Dividend on Convertible Preferred Ordinary Shares is payable.

Following an Extraordinary General Meeting and Separate Class Meetings held on 21 July 2005, the Company introduced a scrip dividend reinvestment scheme enabling participating shareholders to elect to receive new Ordinary Shares in lieu of dividends. At the closing date, mandates representing 703,908 Preference Shares, 338,940 Convertible Preferred Ordinary Shares and 1,316,637 Ordinary Shares had been received.

The Directors do not recommend the payment of an Ordinary Share dividend.

The retained loss of £9.18m has been taken to reserves.

### BUSINESS REVIEW

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

### EVENTS SINCE THE YEAR END

Since 30 June 2005, Celtic has acquired the registrations of the players Mohammed Camara, Maciej Zurawski, Paul Telfer, Adam Virgo and Shunsuke Nakamura on permanent contracts and has secured the season long loan registrations of Jeremie Aliadiere and Artur Boruc.

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

The Directors serving throughout the year and at 30 June 2005 (unless otherwise indicated) and their interests, including those of connected persons, in the share capital of the Company were as follows:

Name	30 June 2005			1 July 2004		
	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	20,000	7,350	7,775
Peter T Lawwell	-	20,000	-	-	20,000	-
Eric J Riley	8,000	5,000	5,000	8,000	5,000	5,000
Thomas E Allison	-	20,000	-	-	20,000	-
Dermot F Desmond	8,000,000	6,273,770	5,131,300	8,000,000	6,273,770	5,131,300
Eric Hagman CBE	-	5,000	-	-	5,000	-
Brian J McBride*	-	1,458	-	-	-	-
Brian Wilson**	-	1,000	500	-	-	-

\* Appointed 5 January 2005

\*\* Appointed 1 June 2005

# Celtic plc

## DIRECTORS' REPORT

Mr Desmond is beneficially interested in the shares noted above, which are held in the name of Line Nominees Limited. Certain of the beneficial interests of Brian Quinn in the shares noted above are held in the name of Brewin Nominees Limited. Similarly, the beneficial interests of Peter Lawwell and Eric Hagman are held in the name of R.C. Greig Nominees Limited. The beneficial interest of Brian McBride is held in the name of Barclayshare Nominees Limited.

There were no changes in Directors' shareholdings between 30 June 2005 and 19 August 2005 reported to the Company.

Brief biographical details of the Directors serving as at 30 June 2005 are as follows:

**Brian Quinn, CBE (Chairman)** 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 G.E. Mortgage Insurance Limited. Mr Quinn is chairman of the Nomination Committee and a member of the Remuneration Committee.

**Thomas E. Allison** joined the Board as a non-executive Director in September 2001 and is a member of the Audit and Nomination Committees and became Chairman of the Remuneration Committee during the year. Mr Allison is Chief Executive of Peel Ports Limited, Chairman of Wood McKenzie Limited and Eco-European Limited and a non-executive Director of the Prince and Princess of Wales Hospice in Glasgow. He is a member of the Council of CBI Scotland.

**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. Mr Desmond is a member of the Nomination Committee and Audit Committee. He served as Chairman of the Remuneration Committee during the year.

**Eric Hagman, CBE** was appointed to the Board as a non-executive Director with effect from 15 May 2003 and is Chairman of the Audit Committee. An accountant by training, Mr Hagman is currently a non-executive director of British Polythene Industries plc, Scottish American Investment Trust plc and of the Royal College of Art in London. He is a former member of the Council of CBI Scotland and of the Board of Scottish Enterprise and is Chairman of Aon Limited Scotland.

**Peter T. Lawwell**, Chief Executive, a qualified accountant, joined the Company in October 2003 from his position as commercial director with ports and property company, Clydeport plc. Previously he held the position of financial controller at Celtic Park from 1990 to 1991, thereafter filling a number of senior executive Board positions with international organisations such as ICI, Hoffman-La-Roche and Scottish Coal. Mr Lawwell is non-executive Chairman of Electronic Document Services Limited.

**Brian J. McBride** was appointed to the Board as a non-executive Director in January 2005. Mr McBride is currently managing director of T-Mobile UK Limited and previously served as Vice President of Dell Corporation in Northern Europe. Mr McBride joined the Audit and Remuneration Committees during the year.

**Eric J. Riley** is the Financial Director and joined the Company in August 1994. Mr Riley is a chartered accountant and has executive responsibility for operational areas of corporate strategy and finance. During the year Mr Riley was an unpaid non-executive director of the Scottish Football Association Limited.

**Brian Wilson** was appointed as a non-executive Director in June 2005. A Member of Parliament until this year, Mr Wilson also held several ministerial posts during his political career. He is an experienced journalist and writer and a director of several private companies.

### Policy on appointment of non-executive Directors

Non-executive appointments are reviewed within the formalised process of the Nomination Committee. Re-appointment is not automatic. It is the Board's policy to seek high quality candidates for available Board positions who have substantial experience, knowledge and understanding which will further the interests of the Company and its shareholders. The terms of reference of the Nomination Committee are published on the Company's website.

### Retirement and re-election of Directors

In accordance with the Articles of Association of the Company, Brian Quinn and Dermot Desmond retire by rotation. Both, being eligible, offer themselves for re-election. The Board has reviewed the performance of these individuals and is satisfied that they continue to meet the high standards expected of Directors of the Company.

Brian McBride and Brian Wilson were appointed to the Board during the financial year and each retires and offers himself for election at the forthcoming Annual General Meeting. Biographical details for each are set out briefly above and in the Explanatory Notes on pages 50 to 53. The Directors consider that both candidates have the mix of skills, experience and independence that will enable a positive and significant contribution to be made to the Company.

# Celtic plc

## DIRECTORS' REPORT

The Directors recommend that Brian McBride and Brian Wilson be elected as Directors of the Company and that Brian Quinn and Dermot Desmond be re-elected.

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

### 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 19 August 2005:

	Ordinary Shares of 1p each	Percentage of Issued Ordinary Share capital
John S Keane	1,808,080	5.84%
The Bank of New York (Nominees) Limited	941,829	3.04%
Christopher D Trainer	933,748	3.02%

In addition to the directors' interests as set out above the Company has been notified or is aware 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%
Aurum Nominees Ltd	800,000	4.44%
Natwest FIS Nominees Limited	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 45 and 46. The Group also made direct charitable donations of £13,504 (2004: £17,845).

### 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 27 days (2004: 29 days).

### GENERAL GROUP POLICIES

#### *Employee Communications*

Within the limits of confidentiality, colleagues at all levels are kept informed regularly of matters which affect the progress of the Group and may be of interest. In addition to regular departmental meetings, regular communication presentations are held and an annual employee opinions survey is conducted to identify progress and improvement areas. The Company also meets formally with employee representatives, at least monthly, to consult on business development and operational matters.

To encourage the involvement of employees in the Group's performance, the Company operates a bonus scheme. Further details of this are set out in the Remuneration Report.

#### *Employment Policies*

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 is registered with Disclosure Scotland and working towards Investors In People accreditation.

# Celtic plc

## DIRECTORS' REPORT

Full consideration is given 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.

### *Social Responsibility*

The Company is proud of its charitable origins and operates policies designed to encourage social inclusion. The activities of Celtic Charity Fund are detailed on pages 45 and 46. The Company is active in various community programmes and jointly funds several initiatives with the aim of combating sectarianism.

Waste paper and materials are recycled where possible.

## HEALTH AND SAFETY

The Group operates strict health and safety regulations and policies. It complies with the requirements of the Green Guide to Safety at Sports Grounds (4<sup>th</sup> Edition), and seeks to achieve consistent compliance at all levels with the Health and Safety at Work Act etc 1974, the Management of Health and Safety at Work Regulations 1992 and associated regulations.

Senior executives meet regularly with employee representatives under the auspices of a Health and Safety Committee. It is charged with day-to-day monitoring of health and safety and working practices and the creation and implementation of risk assessments throughout the business.

Accident statistics are collated and reported to the Board.

## THE INTRODUCTION OF THE EURO

Currently the majority of the Group's business is carried out within the UK which remains outside European Monetary Union ("EMU"). Should that position change, 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.

## AUDITORS

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the Company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the appointment of PKF (UK) LLP will be proposed at the forthcoming Annual General Meeting.

## BY ORDER OF THE BOARD



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

**19 August 2005**

# Celtic plc

## CORPORATE GOVERNANCE

This report is for the first full reporting year of the Company following on from the changes introduced to the Combined Code on Corporate Governance ("the Combined Code") in July 2003.

An assessment of potential areas of non-compliance due to the Combined Code changes was conducted prior to the current year and reviewed during it. Various actions were taken to take account of the Combined Code changes and achieve compliance during the year.

The Group has complied with the provisions of the Combined Code in force for the accounting period ending 30 June 2005, with the exception that in relation to paragraph A7.2, during the year not all non-executive Directors had been appointed for specified periods or were required to stand for annual re-election after 9 years' service. This relates to appointments made prior to July 2003 before the new Combined Code was introduced. Amended appointment letters, confirming the Combined Code requirements are being sought from those Directors affected.

The Group's system of governance is kept under regular review.

### Board of Directors

The Board of Directors ("the Board") currently comprises a non-executive chairman, five other non-executive Directors and two executive Directors.

Two new non-executive Directors joined the Board during the financial year: Brian McBride joined with effect from 5 January 2005; and Brian Wilson took up his appointment on 1 June 2005. Tom Allison is the Senior Independent Director.

Directors stand for election at the first opportunity arising after appointment, and for re-election at least every three years after that.

Board approval is required for all key decisions, including: financial policies, budgets, strategy and long term planning, major capital expenditure, material contracts, risk management and controls policy, health and safety and the appointment of the Company's principal external advisers, directors and senior executives.

The Company's executive management are delegated with authority to enter into and implement contracts authorised by the Board or otherwise falling within specified authorisation levels; conduct the Company's day-to-day operations; and implement Board decisions and general strategy. A specific list of matters reserved for the Board is maintained and monitored.

### Independence

The Board has assessed the independence of each of the non-executive Directors, taking account of the factors stated in the Combined Code. Save for individual shareholdings, none of the Directors has a financial interest in the Company.

Each of the non-executive Directors is considered to be independent. This includes Dermot Desmond, notwithstanding that he has completed nine years' service and has a substantial shareholding. The Board has considered the test stated in the Combined Code and is entirely satisfied that in his work for and support of the Company he displays independence of mind and judgment and objectivity in the contribution he makes.

The non-executive Directors do not participate in Company share option schemes, pension plans or the bonus scheme and are selected from diverse business backgrounds.

### Review of Director performance

Following the year end, the Board conducted an evaluation of its performance and that of its Committees, the Chairman and the non-executive Directors, except Mr Wilson, who was appointed in June 2005. This was done by way of a confidential questionnaire issued to all Directors. All non-executive Directors were considered to have performed satisfactorily and to have met the high standards expected of a Director of the Company. The review also included an analysis of future training and development needs. The Company will fund attendance at seminars and courses, where required.

Where areas for improvement were identified, action will be taken during the coming year. Executive Directors' performance evaluation was conducted by the Remuneration Committee, taking account of specific objectives.

# Celtic plc

## CORPORATE GOVERNANCE

### Attendance

The table below summarises the attendance of the Directors at formal Board and standing Board Committee meetings of which individual Directors were members, during the year.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	14	3	5	1
<b>Brian Quinn</b>				
Eligible	14	-	5	1
Attended	14	-	5	1
Represented	-	-	-	-
% attended or represented	100%	-	100%	100%
<b>Tom Allison</b>				
Eligible	14	3	5	1
Attended	14	3	5	1
Represented	-	-	-	-
% attended or represented	100%	100%	100%	100%
<b>Dermot Desmond</b>				
Eligible	12	3	4	1
Attended	1	-	-	-
Represented	10	3	3	-
% attended or represented	92%	100%	75%	-
<b>Eric Hagman</b>				
Eligible	14	3	-	-
Attended	13	3	-	-
Represented	-	-	-	-
% attended or represented	93%	100%	-	-
<b>Peter Lawwell</b>				
Eligible	14	-	-	-
Attended	14	-	-	-
Represented	-	-	-	-
% attended or represented	100%	-	-	-
<b>Brian McBride</b>				
Eligible	8	1	1	-
Attended	8	1	1	-
Represented	-	-	-	-
% attended or represented	100%	100%	100%	-
<b>Eric Riley</b>				
Eligible	14	-	-	-
Attended	14	-	-	-
Represented	-	-	-	-
% attended or represented	100%	-	-	-
<b>Brian Wilson</b>				
Eligible	1	-	-	-
Attended	1	-	-	-
Represented	-	-	-	-
% attended or represented	100%	-	-	-

# Celtic plc

## CORPORATE GOVERNANCE

The Board is satisfied that where a Director has not attended a meeting there is sufficient and appropriate reason. Since joining the Board in 1995, Mr Desmond has been represented regularly by an alternate, Mr Michael Walsh, who speaks with the full authority of Mr Desmond. The Chairman also speaks with Mr Desmond before Board meetings as well as regularly with all Directors and where they are unable to attend or be represented at a meeting, establishes and communicates their views on the business of the meeting, on their behalf.

The Board is supplied in a timely fashion with appropriate information.

Independent professional advice can be sought by all Directors, 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 three standing committees to which certain responsibilities are delegated, namely: Audit, Remuneration and Nomination. Each Committee has written terms of reference. These are published on the Company's website.

Membership of each Committee is restricted to non-executive Directors. Only independent non-executive Directors sit on the Audit and Remuneration Committees. Executive Directors, the Company Secretary and other executives attend certain Committee meetings as required, but are not Committee members.

### *Audit Committee*

The Committee consists of Dermot Desmond, Tom Allison and Brian McBride who joined during the year and its Chairman Eric Hagman. It met three times in the year. It reviews the Group's accounting policies, internal controls and financial reporting and, in support of the role of the Board, monitors health and safety and risk management issues. It also monitors the scope, quality and independence of the external and internal audit functions. The external auditor, Financial Director and other members of the accounting team are routinely invited to attend.

Business is also conducted without executive Directors being present, when appropriate. The Committee has responsibility for the appointment and fees of the external auditors.

The Committee also assesses the independence of the external auditors, who are required to disclose any potential conflicts, contracts with the Company and non-audit work conducted by them. The Company has guidelines in place governing the appointment of professional advisers including the auditors. The Audit Committee, on behalf of the Board, was satisfied that audit objectivity and independence had been maintained during the year.

### *Remuneration Committee*

This Committee met on 5 occasions in the last financial year. Dermot Desmond stepped down from the Committee, and as its Chairman, in May 2005 and was succeeded as Chairman by Tom Allison. Brian McBride joined the Committee at that time. The other member of the Committee is Brian Quinn.

The Remuneration Committee determines the terms of engagement and remuneration of the Company's executive Directors, Company Secretary and certain senior executives, on behalf of the Board. The Committee also monitors the Company's executive share option scheme and implementation of other executive and employee incentive schemes. The Remuneration Report is set out on pages 22 to 25.

### *Nomination Committee*

This Committee comprised Brian Quinn as Chairman, Dermot Desmond and Tom Allison. It meets as necessary, but at least once per year, principally to consider and recommend new appointments to the Board and senior positions in the Company for succession purposes. Executive search consultants are used by the Committee where considered appropriate to assist in this process but were not used by the Nomination Committee in the course of this year. External advertising for recruitment of non-executive directors was not used. The Committee considered that earlier work and efforts in identifying suitable candidates was sufficient.

This year the Committee met formally on one occasion. A written resolution procedure was also utilised.

## INVESTOR COMMUNICATION

Dialogue is maintained with shareholders throughout the year. Matchday events are also used as an informal but effective means of communicating with investors. The Annual General Meeting is used as an important opportunity to encourage communication and participation from shareholders, who are invited to ask questions and to meet with the Directors

# Celtic plc

## CORPORATE GOVERNANCE

informally after the meeting. The Extraordinary General Meeting in July 2005 was also used as an opportunity to discuss current issues with shareholders.

The Group Financial Statements are published on the Company's website shortly after release.

### **REPORTING AND INTERNAL CONTROLS**

#### **The Board's Review of Internal Control**

Risk management, compliance and internal control are monitored and reviewed by the Audit Committee throughout the year on behalf of the Board. The results of the programmes of control assessment and internal audit in place are reported to the Audit Committee in detail at each of its meetings and then communicated to the Board at the next following Board meeting.

The Board is satisfied that there is an ongoing and effective process for identifying, assessing and managing all significant risks facing the Group.

#### **Internal Financial Control**

The Board has ultimate responsibility for ensuring that a balanced and understandable assessment of the Group's financial position and prospects is presented. The Annual Report and Financial Statements are an essential part of this presentation. The Directors are committed to achieving high levels of disclosure within the confines of preserving the Group's competitive position and maintaining commercial confidentiality.

The internal financial control procedures are 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*: an appropriate framework is in place to plan, control and monitor the Group's activities including an annual budget and a rolling five year plan.
- *Business Risk Assessment*: the financial implications of significant business risks are kept under review and controlled by the Board.
- *Financial Reporting*: comprehensive internal forecasting is carried out and updated regularly. Monthly results are reported and significant variances from budget identified and investigated.

The effectiveness of the system of internal financial control takes account of any material developments which have taken place in the Group and in applicable rules and legislation. The review is performed on the basis of the criteria in the Turnbull Guidance.

### **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

## REMUNERATION REPORT

### REMUNERATION REPORT

This Report has been prepared in accordance with applicable regulations and the Listing Rules of the United Kingdom Listing Authority. It has been approved and adopted by the Board. The information contained within the tables on pages 23 and 24 and the paragraphs entitled “*Pension*” and “*Share options*” below has been subject to audit in accordance with The Directors’ Remuneration Report Regulations 2002.

#### **The Remuneration Committee (“the Committee”)**

The Committee met five times during the year and has formal terms of reference which are published on the Company’s website. The Committee members serving during the year are identified on page 15.

#### **Remuneration Policy**

The Company has complied with the Combined Code, as applicable to the financial year ended 30 June 2005, in connection with executive remuneration in force during this financial year.

The main policy objective remains to attract, retain and motivate experienced and capable individuals who will make a significant contribution to the Company’s success but without paying more than is reasonable or necessary.

When determining remuneration, account is taken of the level of packages available within other comparable companies and sectors, the Company’s performance against budget in the year and against actual performance from year to year. Specific corporate and personal objectives are used.

The Committee sought advice from external consultants, Macdonald Kinnaird, during the year and also obtained independent research information. It is also advised by the Company Secretary.

The service contracts of executive Directors are terminable on no more than one year’s notice and do not provide for pre-determined compensation on termination, or for loss of office. Compensation due, if any, is determined by reference to the applicable notice period and reason for termination.

The Company believes that there should be a performance related element to the remuneration of its employees in order to encourage and reward out-performance. The Company therefore operates an annual bonus scheme for all of its regular employees.

The Celtic plc Executive Share Option Scheme expired during the year. Existing option grants are not affected.

#### **Remuneration of Executive Directors and Senior Executives**

Payments made to Directors in the financial year are set out in the table on page 24 and demonstrate the relative values of basic salary and performance-based remuneration. There are several main elements to the Company’s executive remuneration packages:

##### *Basic salary and benefits*

The Committee reviews base salaries for executive Directors and senior executives annually, on promotion and exceptionally during the year if significant additional responsibilities have been undertaken.

Benefits for executive Directors include the provision of a fully expensed company vehicle or equivalent non-pensionable vehicle allowance, relocation allowance, private medical insurance and critical illness cover. These benefits may be, but are not automatically, extended to senior executives. Those receiving such benefits are assessed for income tax on them.

The Company allows all regular employees a discount on Company merchandise and products.

##### *Annual Performance Related Bonus Scheme*

The Group continues to operate a bonus scheme for executive Directors and all full and part-time employees on regular contracts, with the following key objectives:

- (A) Improving and sustaining the financial performance of the Group from year to year;
- (B) Delivering and enhancing shareholder value;

# Celtic plc

## REMUNERATION REPORT

- (C) Enhancing the reputation and standing of Celtic;
- (D) Delivering consistently high standards of service to Celtic and its customers; and
- (E) Attracting, retaining and motivating talented individuals whose skills and services will enable Celtic to meet its strategic objectives.

Performance conditions reflect corporate financial performance and satisfaction of personal objectives. Corporate financial performance incorporates both performance against budget and the previous year's results. Maximum award levels depend upon seniority and contractual entitlements. The awards range from a maximum of 20% of salary to a maximum of 60% of salary. The Committee reviews the bonus scheme structure and performance conditions annually. Bonus payments are not pensionable.

Football players and the football management team are subject to a separate bonus scheme that rewards on-field success.

### *Pension*

The Company operates a Group pension plan, with defined contributions, in which the Financial Director, several senior executives and a number of other employees participate. Pension contributions for Peter Lawwell are made to an independent pension provider. Stakeholder arrangements are available to qualifying employees. The Company does not operate any defined benefit (final salary) schemes.

### *Share options*

The Celtic plc Executive Share Option Scheme ("the Scheme") was first established in December 1994 and was last amended in September 2001. It expired in December 2004, having been in place for ten years. No further grants of options can be made under the Scheme.

The only Directors participating in the Scheme are Peter Lawwell and Eric Riley.

The last grant of options over Ordinary Shares of 1p under the Scheme was on 27 October 2003 to Peter Lawwell at an option price of 51p. The options granted then and in the preceding grant in September 2001, including those granted to the Directors, are exercisable in total only after three years from the date of grant and provided that over three 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 three consecutive financial years exceeds percentage growth in RPI over the same period by an average of at least 3% per year.

The performance criteria stated above are regarded as a challenging and realistic test of comparative financial performance, with a view to securing consistent growth and shareholder return against the sector. These options, unless exercised or lapsing earlier, lapse on the tenth anniversary of the date of the grant.

The interests of executive Directors serving during the year under the Scheme are set out in the table below:

	<b>Balance at 1 July 2004 Number</b>	<b>Granted 2004/05</b>	<b>Exercised/ Lapsed 2004/05</b>	<b>Balance at 30 June 2005 Number</b>	<b>Exercise price</b>	<b>Class</b>	<b>Option Period</b>
P T Lawwell	588,234	-	-	588,234	51.0p	Ordinary 1p	Oct 2006/13
E J Riley	413,053	-	-	413,053	107.5p	Ordinary 1p	Sept 2004/11

Options over 1,538,461 Convertible Preferred Ordinary Shares of £1 were granted to Martin O'Neill in September 2001 at an exercise price of 130p. These options lapsed without being exercised, on his departure from the Company during the year.

On 24 April 1997, a limited number of 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. During the year 10,000 of those options lapsed. At the balance sheet date, options from that grant over 60,000 Ordinary Shares of 1p remained. These options are exercisable at any time between 24 April 2002 and 24 April 2007 and are not subject to performance conditions.

# Celtic plc

## REMUNERATION REPORT

293,478 options over Ordinary Shares from the grant in September 2001 lapsed during the year. At 30 June 2005, the total number of options outstanding over Ordinary Shares, including those of the executive Directors and those remaining from the grant in 1997 was 1,283,704.

The market price of Ordinary Shares on 30 June 2005 was 61.5p (2004: 59.0p). The price range during the year was 44.0p to 68.0p.

The market price of the Convertible Preferred Ordinary Shares on 30 June 2005 was 130.0p (2004: 124.0p) and the price range during the year was 120.0p to 130.0p.

### Service Agreements

#### *Executive Directors*

Peter Lawwell's service contract as Chief Executive commenced on 25 October 2003. It continues subject to 12 months' notice by him to the Company or by the Company to him. Mr Lawwell is, with the consent of the Company, non-executive chairman of Electronic Document Services Limited. He retains the annual fee of £17,500 payable for that post.

The Financial Director's service agreement commenced on 19 August 1994 and continues subject to termination on twelve months' notice from the Company, or three months' notice from the Financial Director. He serves as a non-executive director of the Scottish Football Association Limited. No fee is payable.

Termination by the Company of the contracts of these Directors on shorter notice than provided for in the contracts, other than for misconduct, would be likely to create a requirement for payment of compensation related to the unexpired element of the notice period.

#### *Non-executive Directors*

Individual letters govern the appointments of the Chairman and the non-executive Directors. Typically, non-executive Directors are expected to serve for at least three years. The appointment letters of Mr Hagman, Mr McBride and Mr Wilson all provide for that period. Future non-executive Director appointments will also be for a stated duration, in accordance with best practice.

### Remuneration of Directors

Directors' remuneration and benefits are set out in the table below.

	Salary/ Fees £	Bonus £	Benefits in kind £	Pension Contributions £	2005 Total £	2004 Total £
B. Quinn CBE	30,000	-	-	-	30,000	30,000
P. Lawwell	169,800	87,667	16,024	25,470	298,961	165,961
E. Riley	121,530	53,169	18,154	18,230	211,083	182,568
T. Allison	15,000	-	-	-	15,000	15,000
D. Desmond	15,000	-	-	-	15,000	15,000
E. Hagman CBE	15,000	-	-	-	15,000	15,000
B. McBride (appointed 05/01/05)*	7,315	-	-	-	7,315	-
B Wilson (appointed 01/06/05)	1,250	-	-	-	1,250	-
Sir Patrick Sheehy (resigned 13/08/03)	-	-	-	-	-	1,827
K. Sweeney (resigned 03/10/03)	-	-	-	-	-	3,923
	<u>374,895</u>	<u>140,836</u>	<u>34,178</u>	<u>43,700</u>	<u>593,609</u>	<u>429,279</u>

\*Mr McBride's fees are payable to his employer, T-Mobile UK Limited.

Remuneration of non-executive Directors is for service on the Board and its Committees and is reviewed by the Board as a whole each year against fees in comparable companies of a similar size and taking account of overall financial performance of the Company. No increase in non-executive Director fees was applied during the year. There has been no increase in non-executive Directors' fees since 1998.

The non-executive Directors have no personal financial interest other than as shareholders. They are not members of the Company's pension scheme and do not participate in any bonus scheme, share option or other profit schemes. All Directors are entitled to one seat in the Presidential Box without charge for each home match, to assist them in performing their duties.

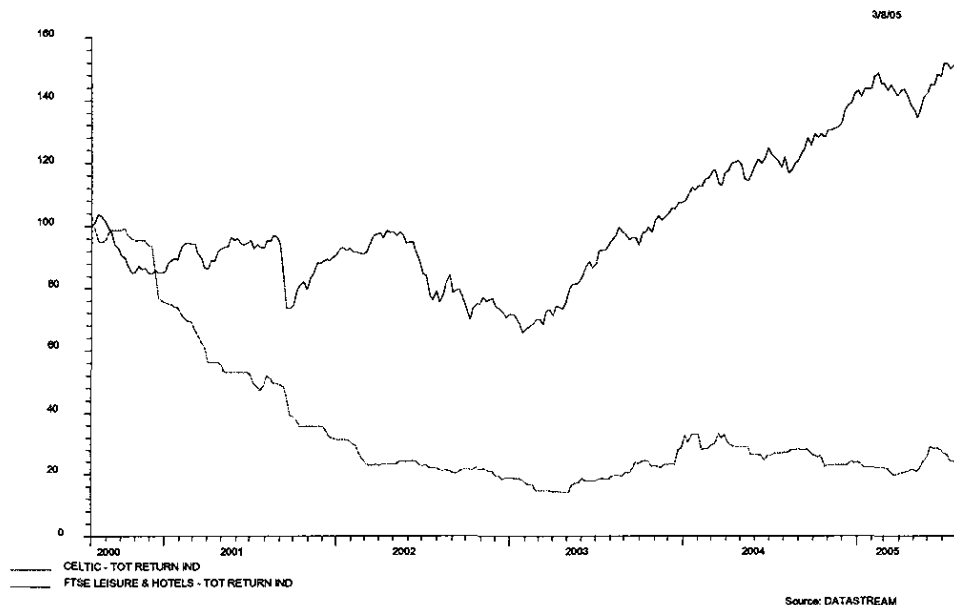
# Celtic plc

## REMUNERATION REPORT

The Company 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.

### Shareholder Return

The graph below compares the total shareholder return on an investment of £100 in the Ordinary Shares of Celtic plc over a five year period commencing on 1 July 2000 with the total shareholder return over the same period on a notional investment of £100 made up of shares of the same kinds and number as those by reference to which the FTSE Leisure and Hotels index is calculated. In the opinion of the Directors, the FTSE Leisure and Hotels index, of which the Company is a constituent, is currently the most appropriate index against which the total shareholder return of the Company should be measured, as it is most likely to be used by investors, shareholders and management as a measure of performance in the leisure and hotel sector. This index includes other listed football clubs and is currently utilised as the benchmark against which performance under the Company's Executive Share Option Scheme is assessed. Total shareholder return represents the change in value of a holding of shares over the relevant period assuming immediate reinvestment of dividends.



The Chairman of the Committee will be available to answer questions concerning Directors' remuneration at the Company's Annual General Meeting.

**BY ORDER OF THE BOARD**

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

**19 August 2005**

# Celtic plc

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report, Remuneration 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.

The Directors intend to publish these Financial Statements on the website [www.celticfc.net](http://www.celticfc.net). The maintenance and integrity of the website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

### FIVE YEAR RECORD

<b>FINANCIAL</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
TURNOVER	62,168	69,020	60,569	56,892	42,007
PROFIT FROM OPERATIONS	4,100	4,870	6,730	5,370	871
LOSS AFTER TAXATION	(7,733)	(7,471)	(11,659)	(3,039)	(8,123)
DIVIDENDS	1,445	1,455	1,457	1,301	599
NET ASSETS	16,215	25,393	34,319	47,435	30,059
SHARES IN ISSUE (EXCL. DEFERRED) ('000)	65,762	65,762	65,762	65,762	47,750
LOSS PER ORDINARY SHARE	(29.80p)	(29.15p)	(42.91p)	(14.26p)	(29.82p)
DILUTED LOSS PER SHARE	(29.80p)	(29.15p)	(42.91p)	(14.26p)	(29.82p)
NUMBER OF EMPLOYEES	453	493	418	392	381
<b>FOOTBALL</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
LEAGUE POSITION	2	1	2	1	1
LEAGUE POINTS	92	98	97	103	97
SCOTTISH CUP	WINNERS	WINNERS	QUARTER FINAL	FINAL	WINNERS
LEAGUE CUP	QUARTER FINAL	QUARTER FINAL	FINAL	SEMI FINAL	WINNERS
EUROPEAN TIES PLAYED	3	8	8	5	3
<b>CELTIC PARK</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
STADIUM INVESTMENT TO DATE (£000)	58,328	56,408	55,632	54,069	52,513
STADIUM SEATING CAPACITY	60,355	60,355	60,355	60,501	60,506
AVERAGE HOME LEAGUE ATTENDANCE	57,965	58,420	57,154	58,589	59,170
SEASON TICKET SALES	53,369	53,158	53,464	53,457	54,253

# Celtic plc

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the Financial Statements of Celtic plc for the year ended 30 June 2005 which comprise the Group Profit and Loss Account, the 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. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration 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 and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been 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 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 nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, 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 unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Reviews and the Corporate Governance Statement. 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**

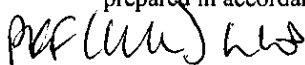
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. 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 in the Company'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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

### **Opinion**

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and the Company's affairs as at 30 June 2005 and of the Group's loss for the year then ended; and
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.



**PKF (UK) LLP**  
**Registered Auditors**

Glasgow, UK

19 August 2005

# Celtic plc

## GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2005

		2005		2004	
	Notes	Operations excluding player trading £000	Player trading £000	Total £000	£000
<b>TURNOVER – group and share of joint venture</b>		62,636	-	62,636	69,020
LESS SHARE OF JOINT VENTURE		(468)	-	(468)	-
<b>GROUP TURNOVER</b>	2	62,168	-	62,168	69,020
OPERATING EXPENSES	3	(58,068)	-	(58,068)	(64,150)
<b>PROFIT FROM OPERATIONS</b>		4,100	-	4,100	4,870
EXCEPTIONAL OPERATING EXPENSES	3, 4	(1,555)	(1,402)	(2,957)	(390)
AMORTISATION OF INTANGIBLE FIXED ASSETS	3, 13	-	(7,340)	(7,340)	(10,770)
<b>GROUP OPERATING PROFIT/(LOSS)</b>		2,545	(8,742)	(6,197)	(6,290)
LESS SHARE OF OPERATING PROFIT / (LOSS) IN JOINT VENTURE		-	-	-	-
<b>TOTAL OPERATING PROFIT/(LOSS)</b>		2,545	(8,742)	(6,197)	(6,290)
(LOSS)/PROFIT ON DISPOSAL OF INTANGIBLE FIXED ASSETS		-	(139)	(139)	306
LOSS ON DISPOSAL OF TANGIBLE FIXED ASSETS		(103)	-	(103)	(150)
<b>PROFIT/(LOSS) BEFORE INTEREST AND TAXATION</b>		2,442	(8,881)	(6,439)	(6,134)
INTEREST PAYABLE	8			(1,294)	(1,337)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				(7,733)	(7,471)
TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES	9			-	-
<b>LOSS FOR THE YEAR</b>	22			(7,733)	(7,471)
DIVIDENDS – non equity	10			(1,445)	(1,455)
<b>RETAINED LOSS FOR THE YEAR</b>				(9,178)	(8,926)
LOSS PER ORDINARY SHARE	11			(29.80p)	(29.15p)
DILUTED LOSS PER SHARE	11			(29.80p)	(29.15p)

All amounts relate to continuing operations.

There were no gains or losses recognised in 2005 other than the loss for the year.

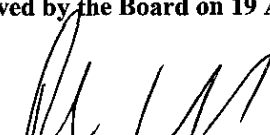
# Celtic plc

## GROUP BALANCE SHEET

### 30 JUNE 2005

	Notes	2005		2004	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	12		48,983		48,428
Intangible assets	13		5,253		12,032
Investment in joint venture:	14				
Share of gross assets in joint venture			487		-
Share of gross liabilities in joint venture			(487)		-
Share of net assets			-		-
			54,236		60,460
<b>CURRENT ASSETS</b>					
Stocks	15		1,987		1,763
Debtors	17		4,633		5,317
Cash at bank and in hand			171		371
			6,791		7,451
<b>CREDITORS - Amounts falling due within one year</b>					
	18		(14,078)		(15,610)
Income deferred less than one year	19		(11,234)		(10,908)
			(25,312)		(26,518)
<b>NET CURRENT LIABILITIES</b>			(18,521)		(19,067)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			35,715		41,393
<b>CREDITORS - Amounts falling due after more than one year</b>					
	20		(19,500)		(16,000)
<b>NET ASSETS</b>			16,215		25,393
<b>CAPITAL AND RESERVES</b>					
Called up share capital (includes non-equity)	21		29,405		29,405
Other reserve	22		21,222		21,222
Profit and loss account	22		(34,412)		(25,234)
<b>SHAREHOLDERS' FUNDS</b>			16,215		25,393

Approved by the Board on 19 August 2005

  
 Director  
 PETER THOMAS LAWNELL

  
 Director  
 ERIC JAMES RILEY


# Celtic plc

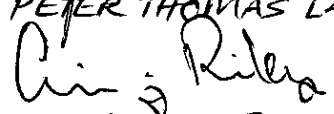
## COMPANY BALANCE SHEET

30 JUNE 2005

	Notes	2005		2004	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	12		48,983		48,428
Intangible assets	13		5,253		12,032
Investment in joint venture:	14				
Share of gross assets in joint venture			487		-
Share of gross liabilities in joint venture			(487)		-
Share of net assets			-		-
			<u>54,236</u>		<u>60,460</u>
<b>CURRENT ASSETS</b>					
Debtors (includes £21.91m (2004: £13.69m) considered to be recoverable after more than one year)	17		22,492		14,532
Cash at bank and in hand			44		161
			<u>22,536</u>		<u>14,693</u>
<b>CREDITORS - Amounts falling due within one year</b>					
	18		(4,870)		(7,000)
<b>NET CURRENT ASSETS</b>					
			<u>17,666</u>		<u>7,693</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			71,902		68,153
<b>CREDITORS - Amounts falling due after more than one year</b>					
	20		(19,500)		(16,000)
<b>NET ASSETS</b>					
			<u>52,402</u>		<u>52,153</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital (includes non-equity)	21		29,405		29,405
Other reserve	22		21,222		21,222
Profit and loss account	22		1,775		1,526
<b>SHAREHOLDERS' FUNDS</b>					
			<u>52,402</u>		<u>52,153</u>

Approved by the Board on 19 August 2005

  
 Director  
 PETER THOMAS LAWWELL

  
 Director  
 ERIC JAMES RILEY

# Celtic plc

## GROUP CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2005

	2005	2004
	£000	£000

### RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating loss	(6,197)	(6,290)
Depreciation	1,627	1,371
Amortisation of intangible fixed assets	7,340	10,770
Provision for impairment of intangible fixed assets	1,402	-
(Increase) / decrease in stocks	(224)	296
Decrease / (increase) in debtors	584	(333)
Increase in creditors and deferred income	669	2,921
	5,201	8,735
<b>Net cash inflow from operating activities</b>	<b>5,201</b>	<b>8,735</b>

### CASH FLOW STATEMENT

Net cash inflow from operating activities	5,201	8,735
Returns on investments and servicing of finance (Note 24)	(4,392)	(1,893)
Capital expenditure and financial investment (Note 24)	(4,507)	(4,865)
	(3,698)	1,977
Cash (outflow) / inflow before financing	(3,698)	1,977
Financing (Note 24)	3,498	(2,359)
	(200)	(382)
<b>Decrease in cash</b>	<b>(200)</b>	<b>(382)</b>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 25)

Decrease in cash in the period	(200)	(382)
Cash (inflow) / outflow from (increase) / decrease in debt	(3,498)	2,359
	(3,698)	1,977
Change in net debt resulting from cash flows	(3,698)	1,977
Movement in net debt in the period	(3,698)	1,977
Net debt at 1 July	(15,805)	(17,782)
<b>Net debt at 30 June</b>	<b>(19,503)</b>	<b>(15,805)</b>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 1 ACCOUNTING POLICIES

#### (a) Accounting convention & basis of preparation

The Financial Statements are prepared under the historical cost convention and comply with applicable accounting standards.

The Financial Statements have been prepared on the same basis and using the same accounting policies as those used in the Financial Statements for the year ended 30 June 2004.

The Group's Profit and Loss Account follows the Financial Reporting Guidance for Football Clubs issued in February 2003 by The Football League, The FA Premier League and the FA, although the turnover within Note 2 continues to be analysed in accordance within the headings of the business operations of the Group.

#### (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 2005. All subsidiaries are accounted for using acquisition accounting. Entities in which the Group holds an interest on a long term basis and which are controlled jointly by the Group and other parties are treated as joint ventures. The results for the joint venture are based on the management accounts to 30 June 2005.

The Group profit and loss account includes the Group's share of turnover and operating profit or loss of the joint venture. The investment in the joint venture is shown in the balance sheet using the gross equity method. The gross equity method records the Group's share of the gross assets and gross liabilities in its joint venture.

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

The Group has taken advantage of the exemption provided by Paragraph 3(C) of Financial Reporting Standard 8 and accordingly has not disclosed any transactions with Group undertakings.

#### (c) Depreciation

Tangible fixed assets are stated at cost and written off to their residual values 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)	4% - 10% straight line
Football Stadium	1.33% straight line

In accordance with FRS 15 the Group carries 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.

When a playing contract is extended, any costs associated with securing the extension are capitalised and the unamortised balance is amortised to a residual value of nil evenly over the remaining term of the contract period.

#### (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. Turnover is analysed between professional football, multimedia and communications, merchandising, stadium enterprises and youth development revenue streams.

Professional football turnover arises from all ticket sales, standard, premium and corporate, derived from matches played at Celtic Park together with the share of the ticket sales for neutral venue matches and match fees received from playing friendly matches away from Celtic Park.

Multimedia and communications turnover includes all revenue derived from television rights sales, sponsorship, publications, internet products and joint marketing initiatives with commercial partners.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 1 ACCOUNTING POLICIES (Continued)

Merchandising turnover includes the revenues from Celtic's retail outlets including home shopping, wholesale revenues and other royalty revenues derived from the exploitation of the Celtic brand.

Stadium enterprises turnover reflects the revenues derived from matchday and non-matchday catering and banqueting, stewarding revenues and revenues derived from the hiring of Celtic Park for football and non-football events.

Youth development turnover includes the Celtic Visitor Centre revenues soccer school revenues and the donations received from Celtic Development Pools Limited.

#### (f) Grants

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

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

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

Leasing charges in respect of operating leases are recognised in the Group 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 Group 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 defined contribution schemes 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 Group Profit and Loss Account at the date of crystallisation.

#### (k) Deferred tax

Deferred tax is provided using the full provision method and 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. Deferred tax assets are incorporated within the Financial Statements to the extent that it is more likely than not that they will be recoverable in the foreseeable future.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 2 TURNOVER

Turnover in respect of the five business operations comprised:	2005 £000	2004 £000
Professional football	31,432	34,728
Multimedia and communications	16,604	16,062
Merchandising	10,060	13,425
Stadium enterprises	2,536	3,449
Youth development	1,536	1,356
	<u>62,168</u>	<u>69,020</u>

### 3 OPERATING EXPENSES

Total operating expenses comprised:

	2005 £000	2004 £000
Staff costs (Note 5)	37,394	40,502
Depreciation of tangible fixed assets (Note 12)	1,627	1,371
Other operating charges	19,047	22,277
	<u>58,068</u>	<u>64,150</u>
Amortisation of intangible fixed assets (Note 13)	7,340	10,770
Exceptional operating expenses (Note 4)	2,957	390
	<u>68,365</u>	<u>75,310</u>
	2005 £000	2004 £000
Other operating charges include		
Auditors' remuneration : audit fees	29	29
: other fees	60	16
Operating lease payments : land and buildings	648	515
: plant & vehicles	46	55

Auditor's other fees relate to taxation advisory services £21,000, accounting advice £12,000 and other advisory services £27,000, provided during the year.

### 4 EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £2.96m (2004: £0.39m) incorporated in the profit and loss account reflect £1.56m of labour costs and other ancillary expenses and £1.40m in respect of a provision for impairment of intangible fixed assets, largely arising as a result of the early termination of certain player contracts. Last year's costs of £0.39m reflected redundancy and other ancillary costs of the rationalisation programme implemented that year.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 5 STAFF PARTICULARS

	2005 £000	2004 £000
Wages and salaries	32,050	35,161
Contribution to Employee Benefit Trust	765	-
Social security costs	3,670	4,330
Other pension costs	909	1,011
	37,394	40,502

The Celtic plc Employee Benefit Trust was established during the year to provide benefits to certain employees, former employees or their families or any charity. Payments to the Trust are charged to the Group Profit and Loss Account in the year incurred.

	Number	Number
Average number of full time equivalent employed in the year:		
Professional football and youth development	154	165
Other business operations	299	328
	453	493

### 6 DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are included within the Remuneration Report on pages 22 to 25.

### 7 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 £154,479 (2004: £164,438). Contributions of £19,224 (2004: £17,626) were payable to the fund at the year-end.

### 8 INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £000	2004 £000
Interest payable and similar charges comprised:		
On bank overdrafts	407	128
On bank and other loans	871	1,143
On hire purchase contracts	16	66
	1,294	1,337

### 9 TAX ON ORDINARY ACTIVITIES – GROUP

No provision for corporation tax or deferred tax is required in respect of the year ended 30 June 2005. Estimated tax losses available for set-off against future trading profits amount to approximately £42m (2004: £35.0m). This estimate is subject to the agreement of the current and prior years' corporation tax computations with the Inland Revenue.

The corporation tax assessed for the year is different from the standard rate of corporation tax in the United Kingdom of 30% (2004: 30%). The differences are explained below:

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2005

	2005 £000	2004 £000
Loss on ordinary activities before tax	(7,733)	(7,471)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	(2,320)	(2,241)
Effects of:		
Expenses not deductible for tax purposes	60	21
Depreciation for the period in excess of capital allowances	488	439
Untaxed income	(327)	(342)
Losses created in year	2,099	2,123
Current corporation tax charge for year	-	-

An explanation regarding the movement in deferred tax is provided at Note 16.

### 10 DIVIDENDS

The non-equity dividend of £1,445,050 (2004: £1,454,773) comprises the dividend of 6% of £544,428 (2004: £554,151) payable on 31 August 2005 to those holders of Convertible Cumulative Preference Shares on the share register at 15 July 2005, together with the amount due in respect of the Convertible Preferred Ordinary Shares fixed dividend of 4% of £900,622 (2004: £900,622) which is payable on 31 August 2005. A number of shareholders have elected to participate in the Company's scrip dividend reinvestment scheme for this financial year. Those shareholders will receive new Ordinary Shares in lieu of cash.

### 11 LOSS PER SHARE

The loss per share has been calculated by dividing the loss for the period of £9.18m (2004: £8.93m) by the weighted average number of Ordinary Shares of 30.80 million (2004: 30.62 million) in issue during the year. The diluted loss per share has been calculated using the same figures as the basic calculation. No account has been taken of share purchase options, as these potential ordinary shares are not considered to be dilutive under the definitions of the applicable accounting standards.

### 12 FIXED ASSETS - TANGIBLE ASSETS

#### Group and Company

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

	Freehold Land and Buildings £000	Plant and Vehicles £000	Fixtures, Fittings and Equipment £000	Total £000
<b>Cost</b>				
At 1 July 2004	37,486	3,121	17,023	57,630
Additions	81	86	2,118	2,285
Disposals	-	(2)	(368)	(370)
<b>At 30 June 2005</b>	<b>37,567</b>	<b>3,205</b>	<b>18,773</b>	<b>59,545</b>
<b>Accumulated Depreciation</b>				
At 1 July 2004	130	1,181	7,891	9,202
Charge for year	125	151	1,351	1,627
Eliminated on disposal	-	(2)	(265)	(267)
<b>At 30 June 2005</b>	<b>255</b>	<b>1,330</b>	<b>8,977</b>	<b>10,562</b>
<b>Net Book Value</b>				
<b>At 30 June 2005</b>	<b>37,312</b>	<b>1,875</b>	<b>9,796</b>	<b>48,983</b>
At 30 June 2004	37,356	1,940	9,132	48,428

Freehold Land and Buildings are net of grants received of £2,999,000 (2004: £2,999,000).

Depreciation charged in respect of assets held under hire purchase contracts in the year ended 30 June 2005

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2005

amounted to £nil (2004: £56,000).

### 13 FIXED ASSETS - INTANGIBLE ASSETS

#### Group and Company

	2005 £000	2004 £000
<b>Cost</b>		
At 1 July	48,561	52,250
Additions	2,340	2,458
Disposals	(12,456)	(6,147)
<b>At 30 June</b>	<b>38,445</b>	<b>48,561</b>
<b>Amortisation</b>		
At 1 July	36,529	31,737
Charge for year	7,340	10,770
Provision for impairment	1,402	-
Disposals	(12,079)	(5,978)
<b>At 30 June</b>	<b>33,192</b>	<b>36,529</b>
<b>Net Book Value</b>		
<b>At 30 June</b>	<b>5,253</b>	<b>12,032</b>

The net loss on sale of player registrations in the year was £139,000 (2004: £306,000 gain).

### 14 INVESTMENTS

#### Subsidiaries

The Company's subsidiary undertaking continued to be Celtic F.C. Limited.

In turn, Celtic F.C. Limited holds 100% of the issued ordinary share capital in each of 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 2005.

#### Other Investments

Celtic F.C. Limited holds an investment of 50% in Setanta (CTV) Broadcasting Limited, a company registered in Ireland. This joint venture broadcasts Celtic TV and is included within the consolidated financial statements under the gross equity method based on the management accounts of the joint venture for the period ended 30 June 2005. Under the terms of the joint venture agreement, Celtic F.C. Limited is not required to fund any losses that may be accumulated by the joint venture company. The Group's share of the gross assets less the share of gross liabilities in the joint venture at 30 June 2005 was £nil (2004: £nil).

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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2005

### 15 STOCKS

	2005 Group £000	2004 Group £000	2005 Company £000	2004 Company £000
Goods for resale	1,956	1,729	-	-
Consumable stock	<u>31</u>	<u>34</u>	-	-
	<u>1,987</u>	<u>1,763</u>	-	-

### 16 DEFERRED TAX ASSET

#### Group

The Group continues to follow the accounting treatment for deferred taxation as prescribed in FRS19. At the balance sheet date the value of deferred tax asset was £10.80m (2004: £8.57m). This asset will be recoverable against future taxable profits of the Group. In addition advance corporation tax of £250,000 is recoverable against future taxable profits of the Group. In line with FRS19 and given the financial difficulties currently being experienced by the football sector, the Group has not recognised the deferred tax asset nor the advance corporation tax asset in the financial statements.

#### Company

At 30 June 2005, the deferred tax asset not reflected in the Company's Financial Statements was £0.66m (2004: £0.13). This asset will be recovered against future taxable profits of the Company.

### 17 DEBTORS

	2005 Group £000	2004 Group £000	2005 Company £000	2004 Company £000
Debtors comprised:				
Trade debtors	2,382	2,275	-	101
Other debtors	930	965	267	320
Prepayments and accrued income	1,321	2,077	315	425
Due from subsidiary undertaking	<u>-</u>	<u>-</u>	<u>21,910</u>	<u>13,686</u>
	<u>4,633</u>	<u>5,317</u>	<u>22,492</u>	<u>14,532</u>

The reduction in prepayments and accrued income reflects the increased amount of television rights revenue received in advance of the year-end in 2005 in comparison to 2004.

The amount due to the Company by its subsidiary undertaking reflects the intercompany balance between the Company and its principal subsidiary, Celtic F.C. Limited. This balance is currently considered to be recoverable in full after more than one year.

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

	2005 Group £000	2004 Group £000	2005 Company £000	2004 Company £000
Creditors comprised:				
Other loans	174	176	174	176
Trade creditors	2,727	2,865	405	873
Other taxation and social security	3,596	4,941	951	1,149
Proposed dividends	1,445	3,098	1,445	3,098
Other creditors	1,501	392	300	303
Accruals	<u>4,635</u>	<u>4,138</u>	<u>1,595</u>	<u>1,401</u>
	<u>14,078</u>	<u>15,610</u>	<u>4,870</u>	<u>7,000</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

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

The reduction in other taxation and social security reflects a lower VAT liability than 2004 together with reduced levels of PAYE and National Insurance Contributions as a combined result of the reduced labour costs in the year and a reduction in the level of end of season football payments made compared to 2004.

Proposed dividends have reduced by £1.65m to £1.44m. The proposed dividends reflect the annual dividend of £0.54m (2004: £0.55m) payable in respect of the Convertible Cumulative Preference Shares and dividends of £0.90m (2004: £2.54m) payable in respect of the Convertible Preferred Ordinary Shares for the period 1 July 2004 until 30 June 2005. These dividends are payable on 31 August 2005 in cash or by way of Ordinary Shares to those shareholders participating in the dividend reinvestment scheme. Last year the accrued dividend for the Convertible Preferred Ordinary Shares was £2.54m for the period 1 August 2001 to 30 June 2004.

### 19 INCOME DEFERRED LESS THAN ONE YEAR

	2005 Group £000	2004 Group £000	2005 Company £000	2004 Company £000
Deferred income	<u>11,234</u>	<u>10,908</u>	<u>-</u>	<u>-</u>

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

### 20 CREDITORS – amounts falling due after more than one year

	2005 Group £000	2004 Group £000	2005 Company £000	2004 Company £000
Loan instalments	<u>19,500</u>	<u>16,000</u>	<u>19,500</u>	<u>16,000</u>
	<u>19,500</u>	<u>16,000</u>	<u>19,500</u>	<u>16,000</u>
<b>Group and Company</b>			<b>2005 £000</b>	<b>2004 £000</b>

Loan instalments are repayable as follows:

In one year or less	-	-
Between one and two years	-	-
In more than five years	<u>19,500</u>	<u>16,000</u>
	<u>19,500</u>	<u>16,000</u>

Loans repayable by instalments include bank loans of £19.50m (2004: £16.00m). 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 Group has the option to repay the loans earlier than these dates without penalty. The bank loans are secured over Celtic Park.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 21 SHARE CAPITAL

Group and Company	Authorised		Allotted, called up and fully paid			
	2005 No.'000	2004 No.'000	2005 No.'000	2005 £000	2004 No.'000	2004 £000
<b>Equity</b>						
Ordinary Shares of 1p each	36,699	36,397	30,949	309	30,647	306
Deferred Shares of 1p each	100,244	82,397	100,244	1,002	82,397	824
<b>Non Equity</b>						
Convertible Preferred Ordinary Shares of £1 each	20,000	20,000	18,012	18,012	18,012	18,012
Convertible Cumulative Preference Shares of 60p each	19,301	19,603	16,801	10,082	17,103	10,263
	<b>176,244</b>	<b>158,397</b>	<b>166,006</b>	<b>29,405</b>	<b>148,159</b>	<b>29,405</b>

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

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 1 September 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% (before tax credit deduction) 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 2005, 302,494 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 19 August 2005, 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 Report on pages 22 to 25.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2005

### 22 RESERVES

The movement of reserves during the year was as follows:

	Group		Company	
	Other Reserve £000	Profit and Loss Account £000	Other Reserve £000	Profit and Loss Account £000
At 1 July 2004	21,222	(25,234)	21,222	1,526
(Loss)/profit for the year	-	(7,733)	-	1,694
Dividends	-	(1,445)	-	(1,445)
<b>At 30 June 2005</b>	<b>21,222</b>	<b>(34,412)</b>	<b>21,222</b>	<b>1,775</b>

The parent Company's profit for the financial year is £1.69m (2004: £1.82m).

In accordance with Resolution No 8 at the 2002 Annual General Meeting and the Court Order obtained on 9 May 2003, the Share Premium Account was cancelled and the balance therein transferred to the Other Reserve. Under the terms of this cancellation, an amount equal to three times the Executive Club loans, currently equal to £522,000 (2004: £528,000) will remain non-distributable from this Other Reserve until such loans are repaid by the Company.

### 23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	2005 £000	2004 £000
At 1 July	25,393	34,319
Movements in year:		
Retained loss for the year	(9,178)	(8,926)
<b>At 30 June</b>	<b>16,215</b>	<b>25,393</b>

At 30 June 2005 Non-Equity Shareholders' Funds, defined in accordance with FRS4, amounted to £29.54m (2004: £31.37m). This relates to the Convertible Preferred Ordinary Shares, the Convertible Cumulative Preference Shares and the associated accrued dividends.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

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

	2005 £000	2004 £000
<b>Returns on investments and servicing of finance</b>		
Dividends paid	(3,098)	(556)
Interest paid	(1,278)	(1,271)
Interest element of hire purchase payments	(16)	(66)
	<hr/>	<hr/>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(4,392)</b>	<b>(1,893)</b>
	<hr/>	<hr/>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(1,966)	(1,250)
Payments to acquire intangible fixed assets	(2,891)	(3,765)
Proceeds from sales of intangible fixed assets	350	150
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(4,507)</b>	<b>(4,865)</b>
	<hr/>	<hr/>
<b>Financing</b>		
Loans received / (paid)	3,500	(2,000)
Loan instalments paid	(2)	(6)
Capital element of hire purchase payments	-	(353)
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from financing</b>	<b>3,498</b>	<b>(2,359)</b>
	<hr/>	<hr/>

### 25 ANALYSIS OF NET DEBT

	At 1 July 2004 £000	Cash Flow £000	At 30 June 2005 £000
Cash at bank and in hand	371	(200)	171
	<hr/>	<hr/>	<hr/>
	371	(200)	171
	<hr/>	<hr/>	<hr/>
Debt due within 1 year	(176)	2	(174)
Debt due after 1 year	(16,000)	(3,500)	(19,500)
	<hr/>	<hr/>	<hr/>
	(16,176)	(3,498)	(19,674)
	<hr/>	<hr/>	<hr/>
<b>Net debt</b>	<b>(15,805)</b>	<b>(3,698)</b>	<b>(19,503)</b>
	<hr/>	<hr/>	<hr/>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 26 CAPITAL AND OTHER FINANCIAL COMMITMENTS

#### a. Capital commitments

##### Group & Company

	2005 £000	2004 £000
Authorised and contracted for:	1,467	3,404

#### b. Other commitments

At 30 June 2005 the Group had annual commitments under operating leases as follows:

Expiry date:	Land & Buildings		Other	
	2005 £000	2004 £000	2005 £000	2004 £000
Within 1 year	26	-	20	31
Between 2 and 5 years	54	80	31	16
In more than 5 years	712	555	-	-

#### 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 2005 could result in an amount payable of £417,500 (2004: £966,000), of which £232,500 could arise within one year and amounts receivable of £325,000 (2004: £925,000), of which £225,000 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 2005 was £nil (2004: £Nil).

### 27 FINANCIAL INSTRUMENTS

Details of the financial instruments of the Group during the financial year ended 30 June 2005, 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 cash (2004: 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 2005. The Company also has had the ability to utilise up to £8m of the loan facility by way of acceptance credits. The other loans of the Group are interest free. It is the Group's policy to secure funding at the most cost-effective rates of interest available to the Group.

The Company's non-equity Convertible Preferred Ordinary Shares are convertible to equity (Ordinary and Deferred) shares on 1 September 2007. Until these are converted, the holders are entitled to a fixed dividend of 4% and an additional dividend which is dependent on the success of the first team as set out in Note 21.

The Company's non-equity Convertible Cumulative Preference Shares are convertible to equity (Ordinary and Deferred) shares on or any time with effect from 1 July 2001. Until these shares are converted to equity, the holders are entitled to a fixed dividend of 6% before deduction of tax credit.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2005

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 no exposure to any forward foreign exchange contracts as at the balance sheet date and did not enter into any new forward contracts during the year. Last year three contracts to acquire a total of \$1.4m were entered into at an average exchange rate of \$1.83.

The maturity profile of the Group's financial liabilities at 30 June 2005 and 30 June 2004 and details of applicable interest rates on these liabilities are disclosed in notes 18 and 20.

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

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

Of the available bank facilities of £36.00m (2004: £36.00m), of which £24.00m is represented by long term loans and £12.00m by overdraft, £16.50m (2004: £ 20.00m) remains undrawn at the balance sheet date as follows:

	2005 £000	2004 £000
Loans repayable in more than five years	4,500	8,000
Overdraft repayable on demand	<u>12,000</u>	<u>12,000</u>
	<u>16,500</u>	<u>20,000</u>

## 28 POST BALANCE SHEET EVENTS

### Capital Expenditure

Since the balance sheet date further capital expenditure on intangible assets of £5.62m (2004: £1.53m) has been committed.

# Celtic plc

## CELTIC CHARITY FUND

Celtic Charity Fund, the charitable arm of Celtic Football Club has enjoyed another very successful year. Hard work and the overwhelming generosity of our supporters helped raise a significant amount for the Fund last year.

We believe that Celtic is unique in world football as the only club originally formed to raise money for the needy. The Celtic Charity Fund strives to continue that work and ensure that those areas of need identified by Brother Walfrid over a century ago still receive our support. As always, the money raised has come from Celtic Football Club, Celtic supporters, colleagues, directors, players, as well as corporate clients and many members of the general public who support Celtic's charitable traditions. To these people we owe our gratitude for allowing Celtic Charity Fund to flourish and provide help and support to so many people in need.

The main fundraising event held during the year was the annual Celtic Charity Fund Sporting Dinner (April 2005). The exceptional fundraising efforts at this event allowed the Charity Fund to disburse donations in excess of £115,000 to deserving causes during the year.

In addition to the many cash donations 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. Representatives from Celtic also made many visits to hospitals and to charity and community events.

The principal beneficiary of our charity fundraising dinner this year was St. Andrew's Hospice in Airdrie, which provides care and support for terminally ill patients and their families.

Yorkhill Hospital's Schiehallion Unit for seriously ill children was again treated to a Christmas Party attended by Celtic's first team squad and members of our football management team. A donation of several thousand pounds was presented towards the excellent work being undertaken at the Unit.

For the seventh successive year, Celtic Charity Fund was the principal sponsor of the famous Glasgow Taxis Outing Fund for Sick Children, which was celebrating its 60<sup>th</sup> annual event. Around 250 black cabs took approximately 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.

Over the last year, Celtic Charity Fund has again made donations to a number of homeless organisations. The Glasgow Simon Community and Loaves and Fishes have received support from Celtic for a number of years, and this support continued.

Celtic's efforts to work against bigotry and our promotion of social inclusion continued throughout the year. The Club's joint work with Glasgow City Council and Rangers Football Club was stepped up with the formation of the Old Firm Alliance in April 2005, and continued to deliver our new education programme through schools and operate our Matchday Visit programmes at Celtic Park. Celtic also continued its support of the Sense over Sectarianism project.

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. These included the UK Asian Football Championships, which will be held at Celtic Park in October 2005. This co-operation will continue as we look for new and meaningful ways to work in partnership to support new and emerging international communities in Glasgow and in Scotland.

The Charity Fund continued its policy of supporting initiatives at both local and national level, with Age Concern Scotland, Children with Leukaemia, Mary Slessor Foundation, and the Northern Ireland's Children's Holiday Scheme being just a few of the many beneficiaries.

Celtic Football Club is proud that today it continues to honour the charitable objectives of the Club's founder Brother Walfrid. Through its charitable arm the Club is already considering a number of worthwhile organisations for the coming year.

### **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;

# Celtic plc

## CELTIC CHARITY FUND

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

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, please send your donation to:

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

## **CELTIC plc**

(Incorporated in Scotland No. SC003487)

Registered Office: Celtic Park, Glasgow. G40 3RE

19 August 2005

### **NOTICE OF ANNUAL GENERAL MEETING**

The Annual General Meeting of Celtic plc (the "**Company**") will be held at Celtic Park, Glasgow, G40 3RE on 7 October 2005 at 10.30am for the following purposes: -

#### **AS ROUTINE BUSINESS**

The following resolutions will be proposed as Ordinary Resolutions:-

1. To receive the audited accounts of the Company for the year ended 30 June 2005, together with the reports of the Directors and Auditors on them.
2. That the Directors' Remuneration Report contained within the Annual Report of the Company for the year ended 30 June 2005 be and is hereby approved.
3. To elect Brian McBride as a Director of the Company.
4. To elect Brian Wilson as a Director of the Company
5. To re-elect Brian Quinn, who retires by rotation, as a Director of the Company.
6. To re-elect Dermot Desmond, who retires by rotation, as a Director of the Company.
7. To appoint PKF (UK) LLP as auditors of the Company and to authorise the Directors to determine its remuneration.

#### **AS SPECIAL BUSINESS**

Resolutions will be proposed as follows: -

8. 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 Company's Articles of Association ("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 £3,545,053 and that this authority shall expire (save as provided in Article 5 (c) of the Articles) on 6 October 2010 unless previously revoked, varied or extended.

9. 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 Company's Articles of Association ("the Articles") to allot equity securities (within the meaning of Section 94 (2) of the Companies Act 1985 ("the Act")) wholly for cash pursuant to and within the terms of the authority conferred by Resolution 7 above

- (i) in connection with a Rights Issue (as defined in Article 5(d)(v) of the Articles), shall be without limit;
- (ii) pursuant to any authority conferred upon the Directors in accordance with and pursuant to Article 111, shall be without limit; and
- (iii) otherwise than pursuant to sub-paragraphs (i) and (ii) above, 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 unless previously revoked, varied or extended, 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 6 January 2007.

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

**THAT** the articles of association of the Company be and are hereby amended by deleting the word “two” where it appears in the second last line of Article 73.3 and replacing it with the word “four”.

#### **SHAREHOLDER REQUISITION**

1. THAT the board is requested to propose a scheme at the next Annual general Meeting for the appointment to the board[s] of the Company and/or Celtic Football and Athletic Club Limited of an elected representative of supporters’ organisations/small shareholders/season ticket-holders/wider supporter opinion.
12. THAT the board is requested to organise an annual charity football match involving members of the Celtic Football Club first team squad with the proceeds being donated to the Celtic Charity Fund.

#### **BY ORDER OF THE BOARD**

**Robert M Howat**  
Company Secretary

#### **Notes:**

1. **Only holders of Ordinary Shares or Convertible Preferred Ordinary Shares are entitled to attend and vote at the Annual General Meeting.**
2. Shareholders entitled to attend may appoint a proxy or proxies to attend and, on a poll, vote in his/her place on all resolutions. A proxy does not have to be a shareholder. A Proxy Form and return envelope are enclosed.
3. 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.
4. If you do not intend to go to the Annual General Meeting or are not sure, please complete the Proxy Form, sign it and return it to **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 any adjourned meeting. In the case of a poll taken more than 48 hours after it is demanded, the Proxy Form should be returned at least 24 hours before the time appointed for the taking of the poll.
5. If the registered shareholder is a corporate body, for example, a trust, company, association or club, the Proxy Form should be accompanied by a 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.
6. Under Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Ordinary and Convertible Preferred Ordinary Shareholders registered in the Register of Members of the Company as at 10.30am on 6 October 2005 will 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 Register of Members after 10.30am on 6 October 2005 will be disregarded in determining the rights of any person to attend or vote at the Meeting.
7. If you have any questions about the Proxy Form or the procedures to follow, please telephone the Computershare Investor Services helpline on 0845 143 4004.

## **EXPLANATORY NOTES**

### **RESOLUTION 1: Report and Accounts**

The Directors are required to present the audited statement of accounts of the Company and the Directors' and Auditors' Reports for the year ended 30 June 2005 to the Meeting. You are voting to receive these Reports.

### **RESOLUTION 2: Remuneration Report**

The Company must present the Remuneration Report to the Meeting for approval of shareholders. The Remuneration Report sets out in particular, the Company's policy on Directors' pay and benefits and includes details of the salary and benefits paid to Directors serving during the year.

### **RESOLUTIONS 3: Election of Brian McBride**

The Directors appointed Brian McBride to the Board as a non-executive Director in January 2005. In accordance with good practice and the provisions of the Combined Code on Corporate Governance, Mr. McBride retires from office and stands for election by shareholders at the first available opportunity. This resolution seeks the approval of shareholders for his election to the Board and is recommended by the Directors.

Mr. McBride's biographical details are set out in the Annual Report. His extensive operational and management experience in the computer and communications industry over a number of years with companies such as IBM, Dell Computers and Lucent has already been of great assistance to the Company, particularly in the areas of new media and technology which are an increasingly important part of the Company's business.

### **RESOLUTION 4 Election of Brian Wilson**

Glasgow based Brian Wilson joined the Company at the beginning of June this year. A lifelong Celtic supporter, Mr Wilson is also an experienced journalist and author of the Official History of Celtic. Mr Wilson is also well-known as a result of his career in politics; he served as labour MP for Cunninghame North from 1987 until 2005 and during his career held a variety of senior positions including as Scottish Office Minister for Education and Industry, UK Trade Minister and Energy Minister. A highly able, knowledgeable and effective communicator, the Directors are pleased to recommend his appointment to the Board, to shareholders.

### **RESOLUTIONS 5 and 6: Re-election of Directors**

These resolutions seek the re-election of Brian Quinn and Dermot Desmond, each of whom is willing to stand for re-election as a Director.

Brian Quinn has served as non-executive Director since 1996 and as Chairman since 2000. Mr Quinn is a lifelong supporter of Celtic. His experience of finance and economics is extensive, having held positions with the IMF, World Bank and ultimately as Deputy Governor of the Bank of England. He has held a variety of non-executive posts and does consultancy work for various organisations. Mr Quinn has, as Chairman guided the Company through important and exciting times in its recent history. His experience and knowledge of the Company's affairs and contribution to its well-being are invaluable.

Dermot Desmond has been a director of the Company since 1995. He is the Chairman and founder of International Investment and Underwriting Limited, a private equity company based in Dublin. He is the original promoter of Dublin's International Financial Services Centre which now has over 400 companies operating within it. Mr Desmond has established various companies including several software companies serving the financial services industry. His other investments, in addition to Celtic, include London City Airport, the Sandy Lane Hotel, Betdaq and Barchester Healthcare.

Mr Desmond is a keen Celtic supporter, an avid golfer and involved in a number of charitable activities.

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

### **RESOLUTION 7: 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 appointment of PKF (UK) LLP and follows standard practice in giving authority to the Board to determine the auditors' fees. PKF (UK) LLP 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 the Company's financial

position and comply with Companies Act requirements. PKF (UK) LLP is a limited liability partnership which has adopted the role of the Company's previous auditor, PKF.

PKF (UK) LLP's audit includes an examination on a test basis of evidence relating to the amounts or disclosures in the accounts. PKF (UK) LLP also reviews the Company's compliance with relevant paragraphs of the Combined Code and the Directors' Remuneration Report Regulations 2002. Their report is included within the Annual Report and Accounts. The Audit Committee has considered the competence, performance, objectivity and independence of the auditors, on behalf of the Board. The Directors recommend their appointment.

#### **RESOLUTION 8 : 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 at the date of this Notice) 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 9: Disapplication of pre-emption rights where shares allotted for cash**

The current power, renewed at the EGM in July, to disapply statutory pre-emption rights in relation to the allotment of shares for cash, expires at this AGM. This resolution seeks your consent to the renewal of that power. 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 that each shareholder has 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 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 9 asks shareholders to agree to this, but only for new shares up to a maximum aggregate nominal value of £1,470,247. That figure represents an amount equal to 5% of the allotted and issued share capital of the Company at the date of this Notice.

The 5% limitation is in accordance with good practice guidelines except that the Directors consider that it is in the best interests of the Company that the limitation is calculated by reference to the combined issued Ordinary, Preference and Convertible Preferred Ordinary share capital of the Company, instead of just the issued Ordinary share capital. This is because the Preference Shares and Convertible Preferred Ordinary Shares are convertible into Ordinary Shares

If granted, the Directors will be able to use this power, within the limits stated, to allot new shares without obtaining further authority from shareholders.

This power will also be used by the Directors to issue Ordinary Shares in lieu of dividends pursuant to the operation of the Company's scrip dividend re-investment scheme.

The authority given by this resolution will last for 15 months or until the conclusion of next year's annual general meeting, whichever is earlier.

#### **RESOLUTION 10 : Change to Articles of Association**

The change to the Articles of Association proposed in Resolution 10 would increase the Company's borrowing power from twice the Adjusted Capital and Reserves (as defined in the Articles) to four times the Adjusted Capital and Reserves.

This change is proposed principally due to the impact of new International Financial Reporting Standards which will result in the reclassification of certain elements of the Company's share capital (Preference and Convertible Preferred Ordinary Shares) as debt. Some headroom is also sought to ensure that no technical breach of borrowing powers or bank facilities arises from continuing operations contemplated in the coming year.

#### **RECOMMENDATIONS**

**The Directors believe that the proposals outlined above are in the best interests of the Company and its shareholders. They intend to vote their own beneficial shareholdings in favour of each of the Resolutions and recommend shareholders to do likewise.**

## SHAREHOLDER REQUISITION

Resolutions 10 and 11 have been requisitioned by members of the Company under Section 376 of the Companies Act 1985, acting under the auspices of The Celtic Trust. The Act requires at least 100 members holding shares in the Company, on which there has been paid-up an average sum per member of not less than £100, to participate in order for a requisition to be circulated.

**These Resolutions are not proposed or supported by the Directors.**

### Resolution 11 – Scheme for Appointment of Director

The position of the Board of Celtic plc remains as communicated on many occasions in the past.

In conformity with best practice, and the Combined Code on Corporate Governance, the Celtic plc Board operates on a unitary basis and recognises that directors have a general duty to act in the interests of all shareholders than of any particular group of shareholders or other body, whether large or small.

The Board believes firmly that it is inappropriate for representation of a specific interest group or groups to be the underlying source of appointment. The Combined Code requires appointments to the Board to be on merit and against objective criteria. Appointments must ultimately be ratified by shareholders.

The legislative and regulatory requirements imposed upon directors of listed companies continue to increase and candidates must therefore possess relevant skills and experience. The attributes sought in potential candidates are set out in the terms of reference of the Nomination Committee, which are published on the Company's website

The election of directors to the Board is a fundamental right of **shareholders**, arising by reason of their ownership of shares and enshrined within the Company's Articles of Association. Many of the Company's supporters are smaller shareholders and enjoy those rights already, as do various supporters' clubs and associations.

A scheme created to give effect to the resolution could mean that people other than shareholders and the Directors (as permitted by the Articles) would be entitled to propose candidates for the Board and as a result enjoy certain rights that company law enshrines for shareholders.

The Companies Act provides a basis for the requisitioning of resolutions. It is open to shareholders if the Companies Act requirements are met, to formally propose a candidate for the Board, should they wish to do so rather than request that the Company create and administer some form of election.

The primary purpose and objective of the Company relates to the operation of the football club and its associated activities. Celtic's supporter base spans more than 200 countries, 400 supporters clubs, 23,000 shareholders and an estimated supporter base of several million people. A fair system to select candidates and enable those referred to in the resolution to participate would, in the opinion of the Directors, be likely to result in the forced application of scarce resources to substantial administrative processes rather than in managing and developing the Company's core activities.

Regular meetings continue to be held with supporters' associations and the Celtic Trust as well as consultation on various issues, such as season ticket pricing and strip design. Complaints procedures are in place and informal opportunities to speak with Company representatives arise in the course of the year.

In all of these circumstances and given the financial position and resources of the Company, the Directors believe that the current approach to Board appointments at Celtic is a reasonable one and the proposal is unnecessary.

**The Directors recommend you to vote against this resolution as they intend to do with their own shareholdings.**

### Resolution 12 – Charity Football Match

This resolution is also proposed by way of shareholder requisition.

This topic has previously been discussed with representatives of the Celtic Trust but was not considered viable at that time against the backdrop of the first team's then fixture commitments and available opposition.

The Board remains committed to preserving and enhancing the charitable activity and social responsibility objectives of Celtic and is keeping this possibility open.

A charity football match is only one of many means of raising funds or making a contribution to charitable or social purposes but the team's fixture commitments and player availability and fitness must continue to take first priority.

A limited number of dates are available in any season and the success of these events is also influenced by the quality of opposition that is willing to play in such matches. Attractive opposition is needed if a reasonable attendance, and consequently a meaningful financial contribution, is to be generated. Appearance fees are often charged by such teams, notwithstanding the underlying nature or intention of the game. Attendance at charitable matches can therefore be unpredictable and variable. This places the financial viability of, and consequently the charitable contribution from, such matches at risk. The underlying objective is easily frustrated.

The Board is fully supportive of the charitable aims of Celtic and the activities of the Celtic Charity Fund. These are best achieved as part of regular operational activity and in consultation with the Celtic Charity Fund trustees, rather than by shareholder requisition.

**For these reasons, while keeping the possibility of a charity match open, the Directors recommend that you vote against the resolution, as they intend to do with their own shareholdings.**