

**Celtic plc**  
**ANNUAL REPORT**  
**YEAR ENDED 30 JUNE 2007**



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**YEAR ENDED 30 JUNE 2007**

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# **Celtic plc**

## **ANNUAL REPORT**

### **YEAR ENDED 30 JUNE 2007**

## **SUMMARY OF THE RESULTS**

### **Operational Highlights**

- Winners of the Bank of Scotland Premierleague by 12 points
- Winners of the Tennent's Scottish Cup
- Progression to the last sixteen of the UEFA Champions League, playing four home European fixtures (2006: 1)
- 28 home matches played at Celtic Park in the year (2006: 24)
- Successful pre season friendly trips to Japan, Poland and North America
- Contract extensions awarded to Aiden McGeady and Darren O'Dea
- Successful launch of the Lisbon Lions' 40<sup>th</sup> anniversary home kit together with new away and international kits under the agreement with NIKE
- Season ticket sales continued to be in excess of 53,000

### **Financial Highlights**

- Group turnover increased by 31.0% to £75.24m (2006: £57.41m)
- Operating expenses increased by 10.4% to £59.28m (2006: £53.67m)
- Profit from operations of £15.95m (2006: £3.74m)
- Exceptional operating expenses of £2.88m (2006: £0.58m)
- Gain on disposal of intangible fixed assets of £9.40m (2006: £0.26m loss)
- Profit before taxation of £15.04m (2006: £4.22m loss)
- Year end bank debt of £4.99m (2006: £9.09m) net of cash
- Investment of £14.44m (2006: £8.84m) in the acquisition of intangible fixed assets

# Celtic plc

## ANNUAL REPORT

### YEAR ENDED 30 JUNE 2007

#### DIRECTORS, OFFICERS AND ADVISERS AS AT 30 JUNE 2007

##### Directors

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

Brian J McBride (Acting Chairman)  
Thomas E Allison  
Dermot F Desmond  
Brian D H Wilson

##### Nomination Committee

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

##### Stockbroker and Nominated Adviser

Seymour Pierce Limited  
20 Old Bailey  
London, EC4M 7EN

##### 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

In terms of both football success and financial results, 2006/2007 was an outstanding year for Celtic Football Club and Celtic plc, indeed it was arguably among the best ever. Winners of the Bank of Scotland Scottish Premier League and the Tennent's Scottish FA Cup for the 41<sup>st</sup> and 34<sup>th</sup> time, respectively, the Club also reached the final 16 of the UEFA Champions League for the first time and were defeated only by the eventual winners, AC Milan, by a single goal after extra time.

A Celtic player, Shunsuke Nakamura, was voted Scottish Player of the Year, Gordon Strachan took the award of Manager of the Year, and Celtic Reserves won the Reserves Championship for the 6<sup>th</sup> consecutive season. All in all, this was a very successful year for the Club on the field.

Off the field, and after a number of years in which the Company made losses at the pre tax level, Celtic plc recorded a profit of over £15m. Group turnover rose by 31%. Encouragingly, having invested heavily in strengthening the playing squad and developing the training facility at Lennoxton, bank debt at the year end amounted to just under £5m, compared with over £9m a year previously, and total net debt stood at around £9m, against a figure of almost £14m a year earlier. Net assets rose from £22m to well over £36m.

By the standards of previous years and, indeed, those of most other football companies, these are exceptionally good results. However, it is important to recognise that a number of factors came together, all of which cast a favourable light on our performance and which cannot reasonably be expected to recur, at least to the same degree.

Foremost among these was our successful UEFA Champions League campaign. This competition far outstrips any other in which we are involved in terms of gate receipts, television revenues and, indirectly, other revenue sources. Last season we had the bonus of being the only Scottish representative to reach the group stage. Taking account of the additional costs involved, notably bonus payments to players, management and support staff, the net contribution to profit was of the order of £11.2m. The contribution from European football in the previous year was approximately £0.75m. It also gives the Club greater exposure to a much wider television audience, reinforcing the reputation of the Club as one of Europe's re-emerging forces.

The other principal factor affecting the year's financial performance was the volume of transfer activity. On the back of a particularly buoyant market in England, Celtic sold a number of players to clubs South of the border to a total profit of £9.4m. At a time when it is customary – and valid – to note the disadvantages suffered by Scottish clubs arising from the new FAPL television contract, it would also be correct to note that Scottish clubs derive benefits from sales of players into that market. Nevertheless, the gap between the two markets has grown enormously in the last two years, with the result that the movement of talent from North to South has become much more pronounced, and Scottish clubs are even less able than in the past to bid for players on an equal basis with English clubs, even at the level of the Coca Cola Football League Championship.

Notwithstanding this trend, Celtic used its improved financial position last year to strengthen further our first team playing staff, spending some £14.4m on new players, and taking forward the establishment of our new training facilities at Lennoxton. Maintaining the quality of the squad is a continuous task which has to be approached in the short term by activity in the transfer market, and in the longer term by finding and developing younger players. Getting the balance right is a challenge year by year and cannot be guaranteed. Accidents can and do happen, so it is especially pleasing that John Kennedy has returned to first team action after three years of rehabilitation from serious injury.

Total operating expenses rose by 10.4%, primarily higher player costs in the form of salaries and bonuses, and other costs such as travel and stadium expenses associated with our European games. No increase in costs at football clubs is actually welcomed, but when they are a direct result of success in competition, and are therefore more than compensated by additional revenues, they can be cheerfully absorbed.

Our ratio of total labour costs to turnover, which already stood at a creditable 56.6% last season, fell to 48.4% in the year just ended. Like many of this year's figures, this percentage is relatively low and given the need to pre-qualify for the UEFA Champions League and the spill-over effect of the English football market into Scotland, may well rise next year. However we are determined to abide by our policy of year by year sustainability in which player costs play a crucial role.

Income from television, radio and publications almost doubled to £23.2m, thanks to our participation in the UEFA Champions League – the benefits of being involved in this competition being nowhere more evident. Income from merchandise sales fell by about £1m, although comparisons between years are complicated by the number and nature of replica strip launches. Footballing merchandise is to some extent a fashion market and therefore difficult at present, and our marketing and sales staff have done well to maintain the Company's position as one of the leading retailers of quality football and leisure wear.

# Celtic plc

## CHAIRMAN'S STATEMENT

On the football field, as I have already stated, we reached new heights. Our runaway SPL Championship success extended our run in that competition to five titles in the last seven years. Victory in the Tennent's Scottish FA Cup brought a domestic double, our 14<sup>th</sup>. The victory over Manchester United at Celtic Park in the UEFA Champions League secured a place in the last 16 of that competition and provided a memorable occasion for our supporters. The excitement and fervour at Celtic Park on these European occasions probably has no equal in world football. Our supporters on these occasions are a virtual 12<sup>th</sup> man.

That these successes were achieved in the context of significant numbers of new arrivals and departures among the playing staff is compelling evidence of the excellent management team headed by Gordon Strachan. In the two years since Gordon joined us he has won the Bank of Scotland Scottish Premierleague by impressive margins, as well as two other domestic trophies and achieved progress in Europe. Managing Celtic ranks among the most demanding jobs in football and Gordon's resilience and professionalism are truly admirable.

Despite some early delays caused mainly by adverse weather, our new training complex at Lennoxtown is expected to be available for use towards the end of September 2007. We are excited by the location and the quality of the facilities. Virtually all of the pieces are in place and, all going well, our professional football squads will be training at the new complex soon. There remains the question of what is done with our existing training area at Barrowfield. We are working with Glasgow City Council as part of a master plan to regenerate the East End of the city and the area around Celtic Park. This plan would allow us to improve significantly the coach parking and transport infrastructure for our supporters and those of visiting teams. We believe this is long overdue and hope to see it move forward in the coming year.

Spreading the Celtic brand name continues to be a high business priority. The new TV contract in England makes it even less likely that change will take place in the structure of football there, and the fact that all but the top half dozen FAPL sides may find themselves facing the possibility of relegation in any given year, with all that that entails in terms of foregone revenue, means that the great majority of teams in the FAPL would oppose, even more than previously, any move to admit Scottish teams. We believe that it is our responsibility to explore whether such a change is possible, but we accept the position as we now find it and have turned our attention increasingly to other options in looking to the longer term.

We continue to believe that North America represents a good opportunity in that connection and have completed another successful tour to the United States this summer. Our "soccer schools" in seven States are flourishing and are spreading the Celtic name to a younger generation. We also carried out short tours to England, Switzerland and Ireland and will look for further opportunities to build our reputation abroad.

It has long been my belief that eradicating sectarian and other offensive behaviour from the Scottish football environment is a longer term task. Success is properly measured over years, if not decades. But progress towards that objective can be achieved on a shorter time scale and we can point to clear signs of such progress year by year. This takes the form not only of dwindling numbers of people who sing offensive songs and chants at away games following the initiatives that I mentioned in last year's Annual Report, but also of positive action to improve the behaviour of people who might otherwise keep ancient rivalries alive by unacceptable means.

Our work in education and with the unemployed and other disadvantaged groups does not always get the recognition it deserves. It is, of course, worth doing for its own sake, but greater encouragement from the press and media can multiply its positive effects. The consolidation of our charity and community activities under the banner of the Celtic Foundation and of the attendance of religious leaders to the Old Firm game in March, with the positive reception of this initiative by the press and media, are examples of what can be done.

A historic milestone was reached in May with the 40<sup>th</sup> Anniversary of the Lisbon Lions' victory in the European Cup. It is a poor club that cannot celebrate a famous event 40 years on, and the Lions never showed greater resolution and stamina than when carrying out a programme of visits, at home and abroad, that would have exhausted Olympic athletes. They remain a family within a family and brought out all that is best in the Celtic support.

As I have remarked before, success in football is seldom marked by unbroken, continuous advances. The nature of modern competitive sport prevents that. Last year was a very good year for our club and for Celtic plc, and it will be a monumental challenge to surpass it next year. That does not, of course, mean that we will not be trying hard to do so. We owe it to our shareholders and supporters to do that, and you may be sure that your Board, management and football team will be pulling together to that end.

**Brian Quinn CBE**  
Chairman

**20 August 2007**

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

### INTRODUCTION

I am delighted to report on another eventful and successful year

In May 2006 Celtic's participation in the group stage of the UEFA Champions' League for season 2006/7 was confirmed. This enabled the Club to plan with much greater certainty both financially and operationally. As with last year, a number of the established players left Celtic Park for a variety of reasons. The funds achieved from the sale of these players, together with the incremental contribution arising from participation in the UEFA Champions' League, enabled us to buy several new players. These included a number of experienced individuals as well as younger, often locally developed, players.

Celtic retained the Bank of Scotland Premierleague title for 2006/7 by a significant margin, sealing the Championship in dramatic fashion at Kilmarnock several weeks before the end of the season. This success in winning the League title has provided Celtic with entry to the final qualifying round of the UEFA Champions' League for Season 2007/08. We also won the Scottish FA Cup again, defeating Dunfermline at Hampden Park in Neil Lennon's final appearance for the Club.

Celtic achieved new highs in Europe this year, qualifying for the last 16 of the UEFA Champions League for the first time since the competition adopted its current format. Along the way there were unforgettable moments against the might of Benfica and Manchester United. Celtic also pushed the eventual winners AC Milan every inch of the way over the two legs of that last 16 tie, before finally succumbing to a goal in extra time.

The 25<sup>th</sup> of May saw the fortieth anniversary of that historic day in Lisbon, when Celtic became the first British Club to lift the European Cup. The event was celebrated at Celtic Park with a gala dinner in a grand marquee on the hallowed turf attended by over a thousand guests. All the victorious Lions were represented and a memorable night was had by all.

### FINANCIAL PERFORMANCE

Celtic's trading results for the year to 30 June 2007 are exceptional, benefiting dramatically from participation in the UEFA Champions League and from player trading. The Club's reported profit of £15.04m represents a massive improvement in financial performance on 2005/06 in what continues to be a highly challenging football environment in Scotland.

Group turnover has increased by £17.83m, 31.0%, to £75.24m from last year, largely as a result of playing four more home games due to our progression in the UEFA Champions' League. The uplift in turnover benefited from the continued high take up of season tickets, together with the incremental revenue generated from pre season friendlies in Poland, America, England and Japan.

Operating expenses, excluding exceptional operating costs, have increased by £5.61m, 10.4%, to £59.28m, predominantly due to increased labour and uplifts in other overheads related to increased trading activity. The amortisation charge of £5.86m is up by 15.1% on last year, demonstrating the increased investment in the first team squad. Exceptional costs of £2.88m largely reflect an impairment provision in respect of intangible fixed assets and compare to £0.58m last year. The financial performance also benefited from a gain on disposal of intangible fixed assets of £9.40m mainly represented by the sale of Petrov, Maloney, Pearson, Varga and Wallace in addition to a lower interest charge in the year.

### FOOTBALL INVESTMENT

The Company wishes to build on the success achieved in recent years. It is imperative that we achieve domestic success and continue the process of restoring Celtic as a credible force in Europe. We will continue to try to strengthen the first team squad whilst managing our financial resources carefully and responsibly. The investment made last year and this, both on new players and on contract extensions, should continue to yield benefits in this current season.

In the year to 30 June 2007 £14.4m (2006 £8.84m) was invested in the playing squad. New signings have included Gary Caldwell, Thomas Gravesen, Lee Naylor, Kenny Miller, Paul Hartley, Stephen Pressley, Mark Brown and Jan Vennegoor of Hesselink during the football season and Scott Brown, Massimo Donati, Chris Killen and Scott Macdonald following the end of the season.

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

Contracts were extended for a number of first team players, including Aiden McGeady and Darren O'Dea

Roy Keane, Mo Camara, Stilian Petrov, Stan Varga and Ross Wallace all left in the 2006 summer transfer window with Stephen Pearson, Alan Thompson and Shaun Maloney all leaving in January 2007 Neil Lennon, David Marshall and Craig Beattie have departed following the end of the season

Gordon Strachan and his assistants Garry Pendrey and Tommy Burns continue to plan for further progression The backroom team has been augmented with the appointment of John Park as Football Development Manager, which demonstrates the importance attached by the Club to identifying and developing young talented players at home and overseas We now have a revised football operations plan for season 2007/08 and beyond

Behind the scenes we have also been delighted to secure the services of Gregory Dupont as Head of Sport Science Gregory joined us in the closed season from Lille and brings a wealth of senior level experience to the medical team, reporting to Dr Derek McCormack

Planned trading of players and the development of younger players are integral parts of our longer term measures to control costs As in season 2006/07 any new signings and/or contract extensions are planned to be at a financially viable level or, alternatively, funded from profits

Our new scouting and youth development arrangements will help this process We believe that the scouting team established in the last year or so should yield dividends in the form of new players from the UK and abroad Several members of our reserve and Under 19 teams have already stepped up to the senior squad and we intend to maintain that policy

A new football bonus scheme was introduced during the year, which is based more on rewarding players and management for the on field success

The construction of the new purpose built training facility and football academy at Lennoxton is progressing well and it should be available during September 2007 The benefits of such a facility are self evident and ultimately will ensure that players are recruited, developed and traded in the most efficient and cost effective way possible

### FOOTBALL OPERATIONS

In progressing in Europe and winning the domestic double of SPL Championship and Scottish Cup, Celtic played a total of 53 competitive matches during the 2006/07 season, winning 35 and losing 11, with 7 matches drawn It was a tremendous record and all concerned deserve enormous credit

Celtic's reserve side won the SPL Reserve Championship for the sixth year in succession, playing 22 matches and winning 19 of them, a quite phenomenal record

Gordon Strachan and Shunsuke Nakamura respectively won the Bank of Scotland Manager of the Year and Player of the Year awards, with Naka also picking up the SPFA Player of the Year prize

### TICKET SALES

Progression into the last 16 of the UEFA Champions League saw a significant increase in sales of standard match tickets against the previous season The total number sold in season 2006/07 was just under 400,000, generating sales revenue of over £8m. Champions League ticket sales accounted for nearly 220,000 tickets at a value of £5.4m, whilst SPL ticket sales totalled over 100,000 at just under £2m

Standard season ticket sales were once again very strong with a total in excess of 50,000 books sold, worth more than £17m Taking into account Corporate and Premium ticket sales the total reached 53,000, which is amongst the highest in the UK

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

### YOUTH DEVELOPMENT

Nearly 2.6 million lottery chances were sold under the various schemes operated by Celtic Development Pools Limited during the period from July 2006 to June 2007. Donations of approximately £1m were provided to the Club's Development Division for the purposes of youth development, whilst a similar sum in prize money was paid out to Celtic supporters nationwide. In light of the challenging times facing all small lotteries operating in the UK, this represents a commendable achievement for Celtic Development Pools.

The matchday draw operated at Celtic Park was once again a major success story. This lottery product remained very popular with supporters as witnessed by the strong sales conversion rate. With a top prize of £7,500 on offer, many tried their luck at winning. Prize money of approximately £1.4m has now been paid out to Celtic supporters on the pitch at Celtic Park since the start of the Windfall in 1995 and the top prize this season will be £8,000, the biggest cash prize in UK football.

### CELTIC FOUNDATION

The Celtic Foundation continues to support the Club's social dimension, reflecting the very reasons why Brother Walfred founded Celtic back in 1888.

The Celtic Foundation integrates a number of very successful project areas:

- Football in the Community and community coaching programmes across both domestic and international markets, including the newly developed Celtic Women's and Girls Academy and Boys Community Academy,
- Anti bigotry, anti racism and anti sectarianism initiatives,
- Celtic Charity Fund,
- Celtic Learning Programmes and the Learning Centre,
- The Old Firm Alliance Project,
- Celtic Against Drugs,
- Support Employment Project, and
- Services to Schools

The creation of the Foundation is indicative of the importance Celtic attaches to its role in the community, with the Club involved in more educational, charitable and community initiatives than at any time in its history.

Celtic in the Community continues to be the leading premier community club in Scotland and arguably the UK. It provides a coaching and development programme tailored to meet the needs of children, teenagers and adults. The range of products and services has grown considerably during the past year providing opportunities for all sectors of the community, with over 4,500 young people and adults participating in a variety of courses and programmes on a weekly basis.

Celtic remains totally committed to the Programme and to date has invested significantly in recruiting around 100 Community Coaches and the necessary supporting infrastructure. The programme also provides a pathway into our Youth Academy with over 350 youngsters identified and invited into the Development Centre Programme, 7 having already graduated to the Academy itself.

The introduction of the Women's and Girls Academy and Boys Community Academy will provide a more structured programme and clear, progressive pathway for talented players. The Club is delighted that Elaine C. Smith has agreed to become a patron for the Women's and Girls Academy.

The Community Programme has firmly established itself in Ireland too with over 1,000 youngsters attending a variety of courses each year.

Internationally, Celtic in the Community delivered a social inclusion programme to thousands of youngsters from some of North America and Canada's most deprived cities. The Community Programme also delivered a summer programme in Cyprus.

The reputation of the Club and indeed its supporters provide real potential to offer new programmes internationally. It is our intention to visit Japan and Australia during 2007/08 in addition to consolidating and rolling out our Community Programme in North America and Canada.

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

The Celtic Foundation has been instrumental in securing grant funding to support several meaningful projects in the areas of health, education, employment, anti social behaviour and social inclusion

Considerable progress has been achieved this year in furthering the Club's anti sectarianism initiatives In March we welcomed then First Minister Jack McConnell and Scotland's religious leaders to the Old Firm match at Celtic Park as our guests, promoting our message of inclusion This enabled them to observe some of the Club's work against sectarianism through workshops with local children, which take place at the stadium on a matchday

The Old Firm Alliance made great progress during the year in helping to educate young people on the benefits of a healthier lifestyle while providing them with positive role models to challenge racism and sectarianism A competition run in conjunction with Glasgow Community Planning Partnership to find 'Firm Friends', one a Celtic fan, the other who supported Rangers, attracted a great response and helped promote our joint efforts in this very important area Following a report and recommendations by the Scottish Executive, a press release in November 2006 highlighted the efforts of both Celtic and Rangers in combating bigotry and sectarianism and reaffirmed the Clubs' commitment to work together to promote togetherness, tolerance and social inclusion

Celtic was delighted to launch the new Celtic Learning Centre at Celtic Park in May 2006 Built in association with Glasgow City Council, the Centre now provides invaluable support to improve the education of young people throughout the region

1,575 local school children benefited from participating in Celtic Learning Sports Programmes during the year, with a success rate of 83% on the reason for referral This brings total participants to 4,369 since the Programme was launched in 2004

The Centre was visited by approximately 8,000 school pupils participating in Celtic Learning's various support classes this year These included Literacy and Numeracy Courses, Web Design Classes in partnership with Stow College, Video Editing and Broadcasting, French Language support, English Language support classes for Asylum Seekers, Refugees and children of Economic Migrants, Art Classes, Anti Sectarian workshops and Japanese Fun classes In addition Adult Community groups participated in Evening computing classes in association with Glasgow Metropolitan College

We would like to express our appreciation to all our strategic partners and participants for supporting the Celtic Foundation during 2006/07 Without their support the progress and achievements of the Celtic Foundation would not have been possible

### MERCHANDISING

This was the second year of our contract with NIKE and saw the launch of a new international kit and a new away kit, whilst 25<sup>th</sup> May 2007 saw the successful launch of the 40<sup>th</sup> anniversary Lisbon Lions home strip

Turnover for the year reached £13.37m, which is down on the previous year's income, although this had included a full year of new home kit sales

2006/07 saw the first full year of trading for the Coatbridge, Clydebank and Stirling retail stores and a temporary unit opened in Greenock, which has now been retained on a permanent basis The number of Celtic retail concessions within Debenhams stores has been increased to four with the addition of Newry and Cork to the existing operations in Glasgow and Inverness

Wholesale income continues to grow through established accounts with Lifestyle Sports, KitBag, JJB Sports, Heaton's and Ireland's largest retailer, Dunnes Stores

In terms of merchandise, the Lisbon Lions 40<sup>th</sup> anniversary saw the successful release of several limited edition ranges

### MULTI MEDIA

Channel 67 Online and Channel 67 Online Plus subscription levels have continued to climb Celtic has also launched a DVD quality streaming video service, Channel 67 Premium, which is forecast to grow subscribers during the course of the new season

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

TV revenues reported strong growth as a result of the Club being the sole Scottish participant in the UEFA Champions' League together with the revenues generated from pre season friendlies and the domestic success of the team

The Club's official website, [www.celticfc.net](http://www.celticfc.net), has been re designed with an increased emphasis on security and greater functionality Traffic has grown by 40% since the site's re launch in April, whilst the Japanese language site, [www.celticfc.jp](http://www.celticfc.jp), is currently undergoing similar redevelopment

Celtic's Multi Media team successfully produced and presented a number of high profile events over the last 12 months, including the Tommy Burns Testimonial Dinner, Player of the Year and the Lisbon Lions 40<sup>th</sup> Anniversary Banquet. In addition, the Multi Media team have contributed significantly to the forthcoming 'Celtic Opus' in terms of content, style and editorial, in conjunction with the Kraken Group

DVD titles produced during the year included the end of season review – 'Untouchable' and the hugely successful 'A Bhoys' Life' (the Jimmy Johnstone story) The epic Official History of Celtic Football Club is due for completion in mid October following an 18 month production period

This year, Multi Media has provided considerable support to the football department by analysing, filming and editing matches and training sessions, as well as providing automated analysis of the opposition with the installation of the Amisco tracking system

### PUBLIC RELATIONS

The level of media interest and activity around the Club was again extremely high during the year, particularly as a consequence the Club's progression to the last 16 of the UEFA Champions League as well as continued domestic success

The PR Department ensured substantial positive media coverage for a range of Club activities at a national level, including commercial, charitable and community events In addition, the Department plays an important role in effectively dealing with supporter enquiries, working closely with supporter organisations and liaising directly with Glasgow City Council and other bodies to ensure the Club maintains its important social dimension

### BRAND PROTECTION

Celtic continued to guard its intellectual property rights throughout the year to ensure that the Celtic brand remains adequately protected from misuse by third parties The Club worked closely with the enforcement authorities, including the police, customs and trading standards, along with other trademark holders and trade bodies Action was taken against those found to be in breach Counterfeit goods to the value of approximately £270,000 were removed from the UK marketplace

### PARTNER PROGRAMME

Our Platinum partnerships with Nike and Carling continue to be successful for both the Club and the sponsors The retention of such high profile businesses, complemented by our long standing relationships with Phoenix, T Mobile, Radio Clyde and Ladbrokes, has helped attract new partners

Thomas Cook's first year as Official Travel Partner was very successful, enhancing supporters' travel arrangements to European matches as well as organising all international travel for the team and officials

Due to the success of the Celtic FC Credit Card through MBNA, our partnerships in the financial sector increased These now include bank accounts available through Soccer Savings and financial advice with Celtic FC Money, which is operated by Dutch company AEGON

New overseas partners, including Polish airline Centralwings, Spanish property partners The Village and betting partners Bluechip, are helping to grow the brand internationally and complement our work in Japan and North America The focus in 2007/08 will be to secure more UK and overseas sponsors

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

### STADIUM

In addition to several high profile Champions League ties, in September 2006 Celtic Park hosted the Scotland international fixture against the Faroe Islands, enhancing the stadium's reputation as one of the top venues in the country

During the course of the year Celtic continued to work closely with Glasgow City Council's Safety Team for Sports Grounds, placing spectator safety as our highest priority. The Club views this partnership approach as key. Fully endorsed by the Safety Team was the installation of a new card access system to the stadium's 105 turnstiles. After a settling in period, the system is now operating effectively at full capacity. The system is designed to improve spectator access while providing the latest technology in event safety management.

During the course of the season, Celtic extended the stewarding arrangements adopted for European matches to SPL away fixtures. The Celtic stewards who accompany our fans assist local operations to ensure the safety and well being of Celtic supporters.

During the year, Celtic's Head Groundsman, John Hayes, received the prestigious accolade of UK Groundsman of the Year for season 2005/06 from the Institute of Groundsmanship, whilst Celtic's groundstaff team received the Scottish Premier League Pitch of the Year award. John also received the Scottish Professional Groundsman of the Year award, which represents tremendous recognition from his peers.

### FACILITIES

A number of corporate and customer hospitality areas have recently been refurbished and upgraded, including the Jock Stein lounge and Walford restaurant. In addition, the press area was upgraded and concourse redecorated.

Behind the scenes there has been significant investment in upgrading business critical IT networks, software, printing, copying and telecommunications systems. Considerable savings have also been achieved by introducing water and energy conservation and leak detection devices.

### CATERING AND CORPORATE HOSPITALITY

The performance of our seasonal hospitality packages remained strong in all areas. All four UEFA Champions League matches were sold out and were packaged with SPL fixtures, generating extra income. The AC Milan and Manchester United matches also generated significant income from off site packages.

Conference and Banqueting continued to perform well with a number of successful events, the greatest success this season being the 40<sup>th</sup> anniversary dinner for the Lisbon Lions.

Our Number 7 Restaurant successfully launched a new organic menu for children in conjunction with the Soil Association's "Food for Life" campaign, which gained some very positive publicity.

The partnership with Lindley Catering, who provide our concourse catering service on matchdays, continues to work well.

In terms of the Visitor Centre, numbers remained encouraging despite a small shortfall in visitors this season compared to last.

### SUPPORTER RELATIONS

The Club continued the practice of consulting with Supporters' Groups throughout the season. Quarterly meetings have been maintained with representatives of the Celtic Supporters Association, The Affiliation of Celtic Supporters Clubs, The Association of Irish Celtic Supporters Clubs as well as the Donegal and South Wales and Bristol Associations. The content of the meetings has varied to cover a wide range of issues including European travel, sectarian singing and its possible implications as well as away supporter behaviour in general. These meetings have been very positive and are planned to continue. In addition open forums have been held with supporters to discuss concerns on topics such as seat

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

relocation. In all cases the views and opinions of our supporters are highly valued and we will continue to provide a platform for these to be aired.

Introduction of the new access control system throughout the stadium means that season ticket holders now enter with their smartcards, with match ticket holders using bar-coded tickets. One of the security benefits of the new system has been easier identification of forged tickets at high profile matches. Furthermore, the majority of renewing season ticket holders have had their smartcards re-activated for use in season 2007/8, saving the cost of voucher books and postage.

Development continues on our Customer Relationship Management (CRM) database, which integrates supporter data from across the Club. This allows us to use information more effectively to reduce marketing costs, drive revenues, improve customer service and provide additional value to Club sponsors and partners. The coming season will see changes in the way the Club communicates to its supporters by e-mail, with the CRM system being used to send personalised messages and offers appropriate to the recipient based on their database profile.

In line with the excellent work undertaken by the Celtic Foundation in tackling bigotry and sectarianism, the Club has pro-actively engaged with supporter groups to ensure that supporters following Celtic at home and away continue to uphold the standards of behaviour we expect and to rigorously combat unacceptable conduct in whatever form it may arise.

### CELTIC CHARITY FUND

Celtic Charity Fund, the Club's charitable arm, again enjoyed a highly successful year, raising thousands of pounds for a range of worthy causes.

Fundraising activities included a legends match against Liverpool, a charity badge day at Celtic Park and our Annual Sporting Dinner in the Kerrydale Suite, which was attended by football management, Directors and first team players. DeBRA was the principal beneficiary and a host of other organisations also benefited from support during the course of the year, totalling around £170,000. The Fund continues to be one of the most successful and high profile charity operations within football.

The appointment of a Community Relations Manager in September 2006 highlighted the Club's commitment to supporting worthy causes. Having now put in place a revised application process, we will look to increase the fundraising impetus for 2007/08.

### HUMAN RESOURCES

Celtic was re-awarded the "Positive About Disabled People" symbol by Job Centre Plus during the year in recognition of working towards fulfilling our commitments to colleagues and job applicants with a disability.

Furthermore, the Club made a formal commitment to work towards attaining "Investors In People" status, seeking to further improve its people management and development policies and practices in line with nationally recognised standards.

Over 80 pupils from local schools enjoyed a week of structured work experience at Celtic Park during the year, part of a highly regarded and successful ongoing programme.

The hard work and contribution of all colleagues in a very busy but highly successful year is once again greatly appreciated.

### SUMMARY AND OUTLOOK

Season 2006/07 was an extremely successful year for Celtic. Gordon Strachan deserves much credit for the football success he has achieved. Celtic progressed to the last 16 of the UEFA Champions' League for the first time, and domestically the Tennent's Scottish Cup was secured in addition to winning the Bank of Scotland Premierleague. This football success has greatly assisted trading performance which in addition to the gains reported from player transactions has resulted in record financial results for the year to 30 June 2007, and in the year end bank debt being reduced to £4.99m. This performance has provided an ideal platform to ensure further progress is achieved. Equally it is

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

recognised that the football sector remains financially difficult with the revenues generated by progress in European competitions highly significant

Trading at the beginning of the new financial year has been relatively encouraging. Seasonal sales of standard, premium and corporate tickets are at levels comparable with last year and a new away football kit has been launched in a competitive merchandise market. Like last year, additional revenue streams continue to be sought and new commercial agreements, including new SPL television and radio contracts, albeit at levels far below those of the FA Premier League, should boost such income. Celtic continues to enjoy partnerships with a number of international companies, which provide the foundation of our income streams going forward.

The expected completion of the new training academy at Lennoxton in the autumn should enhance the number of internally generated youth players establishing themselves in the first team. These initiatives together with the control of football labour costs should result in a cost base and financial model that is sustainable. Success in qualifying for the group stage of the UEFA Champions League will assist greatly in this process.

The ability to field a competitive side and retain control on costs remains a challenge. The player trading activity completed in the last 24 months 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 results.

Our objectives are to secure domestic football success and to ensure UEFA Champions' League football at Celtic Park on an annual basis.

**Peter T Lawwell**  
Chief Executive

**20 August 2007**

# 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

The year to 30<sup>th</sup> June 2007 was extremely successful for Celtic

Our belief that the success on the football field will assist trading was borne out by the results for the year. The Group's financial performance has benefited greatly by the football success achieved not only domestically but more specifically in progressing to the last 16 of the UEFA Champions' League

Celtic recorded a retained profit for the year to 30<sup>th</sup> June 2007 of £15.04m which is a significant improvement from the £4.22m loss reported last year. This improvement is largely as a result of progressing to the last 16 of the UEFA Champions' League together with the £9.40m gain reported on the sale of intangible fixed assets

As last year the Group's financial position has been significantly affected by the adoption of the accounting standard FRS25, as outlined under net assets and funding below

Group turnover increased by £17.83m, 31.0% to £75.24m. This increase is largely as a result of being Scotland's sole representative in the group stage of the UEFA Champions League, progressing to the last 16 of the competition and having played 28 home games this year in comparison to 24 last year

Total operating expenses increased over last year by £5.61m, 10.4% to £59.28m predominantly due to increased labour costs and other charges related to improved turnover and the 4 additional home games played this year. As a result, profit from operations of £15.95m compares with £3.74m last year. The retained profit for the year after exceptional costs, amortisation of intangible fixed assets, loss on disposal of fixed tangible assets, gain on disposal of intangible assets, interest and tax amounted to £15.04m in comparison to a loss of £4.22m in 2006

### 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 operating division is given in the Chief Executive's Review on pages [5 to 12]. The major movements in turnover in comparison to last year are noted below

Income from football operations increased by £7.69m, 28.8% to £34.34m, mainly as a result of progressing to the last 16 of the UEFA Champions' League and having played 4 more home games this year in comparison to last. The increase was augmented by the continued high take up of season tickets following a price increase of approximately 3% in addition to the revenues generated from pre-season friendlies and success in the Tennent's Scottish Cup

Multimedia revenue has increased by £11.31m, 95.1% to £23.20m, almost entirely as a result of progressing in the UEFA Champions' League

Merchandising reported turnover of £13.37m in comparison to £14.34m last year. There were 3 kit launches in the current year including the successful launch of the 40<sup>th</sup> Anniversary Lisbon home kit on 25 May 2007. In addition the NIKE training range has continued to sell well, the Celtic Park superstore was refurbished and the new Greenock store was opened in September 2006. Last year 3 strips were also launched including the first ever NIKE home strip

Income from stadium enterprises has decreased by £0.1m, 3.6% to £2.68m, mainly as a result of a reduction in income from stewarding services offset by an uplift in catering revenue

Youth development income has reduced by £0.1m, 5.7% to £1.65m over last year, largely as a result of the community soccer schools programme not being as successful as the previous year

### OPERATING EXPENSES

Total operating expenses, excluding exceptional operating costs, have increased by £5.61m, 10.4% to £59.28m, predominantly due to increased labour costs and other overheads which are directly related to the additional turnover generated and from the 4 additional home matches played in the year

# Celtic plc

## FINANCIAL REVIEW

Total wage costs increased by £3 93m, 12 1% to £36 42m largely as a result of increased labour costs in professional football and youth development over last year. This increase is mainly due to additional first team and football management costs following the change in personnel during the year together with incentive and bonus payments in respect of the football success achieved this year in comparison to last, particularly progressing to the last 16 of the UEFA Champions' League.

There has been an increase in total wage costs in the current year. However, the ratio of the total labour cost to turnover has reduced to 48 4% from the 56 6% reported last year. This ratio, which incorporates the income generated from European and Tennent's Scottish Cup progression, compares with an average of 61 9% recently reported for the English Premiership in Season 2005/06. The Board recognises the need to maintain strict control of wage costs in an area that requires to be closely monitored. Wage inflation is an area of concern throughout the worldwide football industry that will need to be carefully controlled, particularly following the enhanced television contracts that have now been agreed in England and to a much lesser extent in Scotland. Celtic plan 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.

### EXCEPTIONAL OPERATING EXPENSES

Exceptional operating expenses of £2 88m reflect a provision for impairment to intangible fixed assets of £2 66m (2006 0 40m) and £0 22m (2006 £0 18m) in respect of labour costs largely arising as a result of the early termination of certain employment contracts.

### AMORTISATION COSTS

Total amortisation costs at £5 86m represent an increase of £0 77m, 15 1% in comparison to the previous year, mainly as a result of the charge relating to the players acquired during the year including Gravesen, Naylor, Hartley and Vennegoor of Hesselink offset by elimination of the charge in respect of the football players who left following the end of the 2005/06 season.

### NET GAIN ON DISPOSAL OF INTANGIBLE FIXED ASSETS

The gain on disposal of £9 40m in the current year is largely represented by the sale of Petrov, Maloney, Pearson, Varga and Wallace. The loss on disposal of £0 26m reported last year mainly reflects the transfer of Hartson.

### LOSS ON DISPOSAL OF TANGIBLE FIXED ASSETS

The loss on disposal of tangible fixed assets in the year of £0 34m reflects the disposal of fixtures, fittings and equipment in respect of the Kerrydale Suite, Superstore, Walfrid and South Stand following the refurbishment work carried out.

### INTEREST

The interest charge for the year to 30 June 2007 of £1 23m (2006 £1 77m) reflects interest due on the Group's overdraft and term loan facilities together with the reclassification of the Preference and the CPO share dividends as interest following the implementation of FRS25.

### TAXATION PROVISION

No provision for Corporation Tax is required in respect of the year ended 30 June 2007. The provisional tax computation for accounts purposes provides tax losses carried forward of approximately £30m and an available capital allowances pool of approximately £19m as at 30 June 2007.

The value of the deferred tax asset not reflected in the Financial Statements of the Group is £9 10m, which will be recoverable to the extent of future tax and profits of the Group.

# Celtic plc

## FINANCIAL REVIEW

### TANGIBLE ASSETS

The additions to tangible fixed assets in the year of £7 98m are represented mainly by the construction and capitalised interest costs in respect of Lennoxton in addition to upgraded facilities in certain corporate areas, a new CRM system, opening of the Greenock store, refurbishment of the superstore and the Stirling store. Other additions include safety improvements at Celtic Park and further enhancements to information technology equipment.

### INTANGIBLE ASSETS

The increase in the net book value of intangible assets from 30 June 2006 of £5 40m to £12 99m reflects the investment in the playing squad of £14 44m less the amortisation charge of £5 86m, an impairment provision of £2 66m and the net book value of disposals of £0 51m. The investment in the playing squad is largely represented by the acquisition of Gravesen, Naylor, Caldwell, Miller, Doumbe, Mark Brown, Hartley, Pressley and Vennegoor of Hesselink during the football season and Scott Brown, Donati and McDonald following the end of the season. Additional capital instalments were also paid in respect of existing players.

### STOCK

The level of stockholding at 30 June 2007 of £3 38m is significantly up on the £1 90m reported last year given the launch of the 40<sup>th</sup> Anniversary Lisbon home kit at the end of May 2007.

### DEBTORS

The increase in the level of debtors from 30 June 2006 of £2 97m to £8 00m is primarily as a result of an increase in amounts receivable in instalments following the disposal of player registrations.

### CREDITORS DUE WITHIN ONE YEAR

The increase in creditors falling due within one year from 30 June 2006 of £5 44m to £20 92m largely reflects an uplift on sums due in respect of player transfers and capital expenditure, principally Lennoxton, increased trading activity and the CPO participating dividend accrual following qualification for the knock out stage of the UEFA Champions League. The increase in deferred income of £0 66m largely reflects the impact of the inflationary increase in season ticket prices together with increased sponsorship monies received prior to 30 June 2007 relating to next year.

### CREDITORS DUE AFTER MORE THAN ONE YEAR

Creditors due after more than one year is reported as £16 34m in comparison to £17 19m the previous year. Much of this reduction is due to the decrease in both deferred income and non equity share debt.

### NET ASSETS AND FUNDING

UK Accounting Standards have begun to converge with International Accounting Standards. As part of this process Celtic has adopted FRS25 (financial instruments disclosure and presentation) which has resulted in elements of the Preference Shares and Convertible Preferred Ordinary Shares being reclassified as debt and non-equity dividends being reclassified as interest. The impact of this is a reduction in reported net assets in comparison to those previously reported under UK GAAP prior to the implementation of FRS25 and an increase in reported debt as follows:

	30 June 2007 £'000s	30 June 2006 £'000s
Net assets prior to FRS25	39,841	25,911
FRS25 adjustment	(3,112)	(3,814)
Revised net assets following FRS25 implementation	36,729	22,097

# Celtic plc

## FINANCIAL REVIEW

### Debt Position

Cash at bank and in hand	7,006	2,914
Co operative Bank loan	(12,000)	(12,000)
Bank borrowings net of cash	(4,994)	(9,086)
Other Loans	(158)	(164)
Debt as reported prior to FRS25	(5,152)	(9,250)

### Impact of FRS25:

Remaining debt from reclassification of non equity shares due within one year	(901)	(901)
Remaining debt from reclassification of non equity shares due after more than one year	(3,112)	(3,814)
Debt reported under FRS25	(9,165)	(13,965)

Net debt, excluding the reallocation from equity under FRS 25, at 30 June 2007 is £5 15m (2006 £9 25m) and includes all bank borrowings and other loans offset by cash at bank and in hand. The reduction from 30 June 2006 is principally as a result of the cash generated from trading in the 12 months to 30 June 2007 being offset by capital expenditure in respect of transfer fees paid for player acquisitions, tangible asset additions and dividend and interest payments.

The Group has internal procedures in place to ensure efficient cashflow and treasury management in order to maximise return and 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 2008. In preparation, the Group has in conjunction with its auditors, identified the key standards which will impact upon the Financial Statements and have taken steps to ensure the availability of comparative figures.

Accounting for financial instruments and segmental reporting are those areas where we expect IAS to have the most impact on our Financial Statements.

Under IAS14 Segmental Reporting, additional disclosure will be required as a result of what are defined as reportable segments. The Group has made progress in identifying such reportable segments and has determined that while they 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.

Procedures have been implemented such that the preparation process for reporting under IAS is well underway. The changes applicable to Celtic are largely presentational and disclosure issues and it is considered that a successful conversion to financial reporting under IAS will be achieved.

Eric J Riley  
Financial Director

20 August 2007

# Celtic plc

## DIRECTORS REPORT

The Directors present their Report together with the audited financial statements for the year ended 30 June 2007

### PRINCIPAL ACTIVITY

The principal activity of the Group is the operation of a professional football club, with related and ancillary activities

### RESULTS AND DIVIDENDS

Group turnover is reported as £75.24m compared with £57.41m in 2006. Operating costs at £59.28m result in a profit from operations of £15.95m (2006: £3.74m). The profit on ordinary activities before taxation amounted to £15.04m (2006: £4.22m loss).

Dividends will be paid in cash on 31 August 2007 to those shareholders not participating in the dividend reinvestment scheme. This year, as a result of UEFA Champions League performance in 2006, an additional 2% Participating Dividend is due to holders of Convertible Preferred Ordinary Shares on the register at 30 June 2007.

All dividends on Convertible Preferred Ordinary Shares cease with effect from 1 September 2007.

The record dates for the purpose of the dividends are:

4% Fixed Preferred Dividend and 2% Participating Dividend on Convertible Preferred Ordinary Shares      30 June 2007

6% Preference Shares Dividend      3 August 2007

Mandates representing 1,126,283 Preference Shares and 546,340 Convertible Preferred Ordinary Shares are in place for the scrip dividend reinvestment scheme introduced in July 2005. The scheme remains in operation with approximately £42,000 (2006: £41,000) of dividends for the financial year being reinvested. 164,062 new Ordinary Shares were issued under the scheme in August 2006.

A further invitation to join the scheme was issued during the financial year to those eligible to participate. Ordinary Shares due under the scheme will be allotted on 31 August 2007, with certificates and tax vouchers despatched shortly after that.

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

The profit of £15.04m 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 Chief Executive's Review and the Financial Review.

### EVENTS SINCE THE YEAR END

Since 30 June 2007, the registration of Jean Joel Perrier Doumbe was acquired and the registration of Craig Beattie was transferred to West Bromwich Albion and that of David Marshall to Norwich City.

### SHARE CAPITAL

There has been no change in the Company's authorised share capital during the year. Details of the Company's authorised and issued share capital are set out in Note 21 to the Financial Statements.

### FINANCIAL INSTRUMENTS

Details of the financial instruments used by the Group are included in Note 27 to the Financial Statements.

### RISKS AND UNCERTAINTIES

The directors consider the principal risks and uncertainties associated with running a professional football club such as Celtic to be the player transfer market and wage levels, attendance levels and revenues from broadcasting contracts and

# Celtic plc

## DIRECTORS REPORT

football competitions These risks are included within the risk matrix prepared by the directors which is regularly reviewed and updated

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

The Directors serving throughout the year and at 30 June 2007 and their interests, including those of connected persons, in the share capital of the Company were as follows

Name	30 June 2007		1 July 2006			
	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 Convertible Cumulative Preference Shares of 60p each	
Brian Quinn CBE	20,000	110,195	7,775	20,000	76,117	7,775
Peter T Lawwell		356,000			356,000	
Eric J Riley	8,000	74,547	5,000	8,000	72,387	5,000
Thomas E Allison		505,000			330,000	
Dermot F Desmond	8,000,000	32,772,073	5,131,300	8,000,000	32,772,073	5,131,300
Eric Hagman CBE*		7,500			7,500	
Brian J McBride		2,187			2,187	
Brian D H Wilson		3,000	500		3,000	500

\*Retired 26 October 2006

Some of the beneficial interests of Brian Quinn in the shares noted above are held in the name of Brooks MacDonald Services Limited. The beneficial interests of Peter Lawwell and Eric Hagman are held by R. C. Greig Nominees Limited. The beneficial interest of Brian McBride is held in the name of Barclayshare Nominees Limited. Mr Desmond's beneficial interests are held by Line Nominees Limited. Mr Allison's interest incorporates the interest of the Tom Allison Funded Unapproved Retirement Benefit Scheme.

No changes in Directors' shareholdings between 30 June 2007 and 20 August 2007 have been reported to the Company.

Eric Hagman retired as a Director on 26 October 2006. Brief biographical details of the Directors serving as at 30 June 2007 are as follows:

**Brian Quinn, CBE (Chairman) (70)** has been a non-executive Director since March 1996 and non-executive Chairman since June 2000. Mr Quinn is chairman of the Nomination Committee and a member of the Remuneration Committee. He also holds non-executive directorships with Genworth Financial Mortgage Insurance Europe Limited and Qatar Financial Centre Regulatory Authority.

**Thomas E. Allison (59)** has been a non-executive Director since September 2001. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Mr Allison is the nominated Senior Independent Director. Mr Allison is Chairman and Chief Executive of Peel Ports Limited, a director of Peel Holdings Limited and Chairman of Wood McKenzie Limited. He is a member of the Council of CBI Scotland.

**Dermot F. Desmond (57)** has been a non-executive Director of the Company since May 1995. He is chairman and founder of International Investment & Underwriting Limited, a private investment company. Mr Desmond is a member of the Nomination and Audit Committees.

**Peter T. Lawwell (48)** Chief Executive joined the Company in October 2003 from his position as commercial director with Clydeport plc. Previously he held senior positions with ICI, Hoffman La Roche and Scottish Coal. Mr Lawwell is non-executive Chairman of Intelligent Office Limited (formerly Electronic Document Services Limited).

**Brian J. McBride (51)** was appointed to the Board as a non-executive Director in January 2005. Mr McBride is managing director of Amazon UK and a non-executive director of S3 PLC. Mr McBride is a member of the Remuneration Committee and has been Acting Chairman of the Audit Committee for part of the financial year, following the retirement of Eric Hagman.

# Celtic plc

## DIRECTORS REPORT

**Eric J. Riley (50)** 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. He is also a director of the Scottish Premier League Limited.

**Brian Wilson (58)** was appointed as a non executive Director in June 2005. Formerly a Member of Parliament, 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

The Nomination Committee reviews potential appointments to the Board and makes recommendations for consideration by the Board. Re appointment of directors is not automatic. When a position becomes or is likely to become available, the Board, through the Nomination Committee, seeks high quality candidates who have the experience, skills and knowledge 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, Eric Riley and Brian McBride retire by rotation. Both, being eligible, offer themselves for re election.

Dermot Desmond has served more than 9 years and in accordance with Rule A7.2 of the Combined Code he retires and offers himself for re-election. Brian Quinn having also served for more than 9 years, also retires from office at the Annual General Meeting.

The Board has reviewed the performance of each of these individuals and is satisfied that they continue to meet the high standards expected of Directors of the Company.

The Directors recommend that Eric Riley, Brian McBride and Dermot Desmond be re elected as directors of the Company.

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 17 August 2007.

Registered Holder	Ordinary Shares of 1p each	Percentage of Issued Ordinary Share capital
Christopher D Trainer	5,933,748	7.31%
John S Keane	4,474,747	5.51%
Bank of New York Nominees Limited	3,196,018	3.93%
Michael D Culhane	3,000,000	3.70%

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 Holder	Convertible Preferred Ordinary Shares of £1 each	Percentage of Issued Convertible Preferred Ordinary Shares
NY Nominees Ltd	1,600,000	8.88%
Telsar Holdings SA Depfyffer and Associes	1,600,000	8.88%
Aurum Nominees Ltd	800,000	4.44%
Princella Investments Ltd	800,000	4.44%
Hanom 1 Limited	625,000	3.47%

# Celtic plc

## DIRECTORS REPORT

### DONATIONS

Details of the charitable activities of Celtic and the charitable donations made by Celtic Charity Fund during the year are narrated on pages 48 to 50. The Group also made direct charitable donations of £8,900 (2006: £5,800).

### 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 26 days (2006: 24 days).

### GENERAL GROUP POLICIES

#### *Employee Communications*

Colleagues at all levels are kept informed regularly of matters that affect the progress of the Group and may be of interest. Presentations are given regularly to colleagues at Celtic Park with copies circulated to all those unable to attend. Representatives of senior management also meet formally with employee representatives nominated by all business units to consult on business development and operational matters.

The Company operates a detailed annual appraisal system for all regular employees that involves a separate one to one meeting with their line manager. This provides the opportunity for feedback and comment. An annual performance bonus scheme is operated in conjunction with the appraisal system. Details of this are set out in the Remuneration Report.

#### *Employment Policies*

The Group is an equal opportunity employer and 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.

Full consideration is given to applications for employment by disabled persons where the requirements 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. The Group has obtained recognition from Jobcentre Plus with the award of the right to use the "Positive about Disabled People" logo and is working towards obtaining Investors In People status.

#### *Social Responsibility*

The Company is proud of its charitable origins and operates policies designed to encourage social inclusion. These are referred to in the Chief Executive's Review. The activities of Celtic Foundation and are detailed on pages 7 and 8.

Waste paper and materials are recycled where possible and efforts are being made to reduce energy and water consumption.

### HEALTH AND SAFETY

The Group operates strict health and safety regulations and policies. It complies with the requirements of the Green Guide on Safety at Sports Grounds (4<sup>th</sup> Edition), and obtains its Safety Certificate each year from Glasgow City Council only after rigorous testing and review. Celtic 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. This Committee 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. Training is provided throughout the year on health and safety issues.

Accident statistics are collated and reported to the Board at each meeting.

# Celtic plc

## DIRECTORS REPORT

### THE INTRODUCTION OF THE EURO

The majority of the Group's business continues to be 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

### INFORMATION SUPPLIED TO AUDITORS

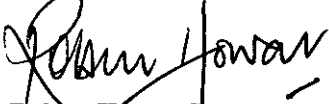
So far as each of the Directors is aware at the time the annual report is approved

- There is no relevant audit information of which the Company's auditors are unaware, and
- They have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

### AUDITORS

At the Annual General Meeting on 26 October 2006 PKF (UK) LLP were re appointed as auditors to the Company

### BY ORDER OF THE BOARD



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

20 August 2007

# Celtic plc

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE

Following the Extraordinary General Meeting held on 23 November 2005, the listings of the Company's Ordinary Shares, Convertible Preferred Ordinary Shares and Convertible Cumulative Preference Shares on the Official List of the UK Listing Authority were cancelled on 21 December 2005. These shares were admitted to trading on the AIM market operated by the London Stock Exchange on 22 December 2005.

The Company is not obliged under the AIM Rules to apply the Combined Code on Corporate Governance, or report upon it but the Board has elected to continue to apply the Combined Code during the year and report on the basis of the principles contained in it. This position will be kept under review.

The Group has complied with the provisions of the Combined Code in force for the accounting period ending 30 June 2007 with the exception that following the retirement of Eric Hagman on 26 October 2006, Brian McBride has been Acting Chairman of the Audit Committee for the remainder of the year. The Board and Audit Committee are satisfied that Mr McBride is appropriately qualified for that temporary role pending the appointment of a new non executive Director to chair that Committee.

### Board of Directors

As at 30 June 2007 the Board of Directors consisted of a non executive chairman, four other non executive Directors and two executive Directors. No appointments were made to the Board during the financial year. Eric Hagman retired from the Board at the Annual General Meeting on 26 October 2006.

Tom Allison remains the Senior Independent Director.

All Directors stand for election at the first opportunity arising after appointment, and for re election at least every three years after that. Directors who have held office for more than 9 years retire annually. This approach will be applied at the forthcoming AGM for Dermot Desmond and Brian Quinn.

Key decisions, including financial policies, budgets, strategy and long term planning, major capital expenditure, material contracts, risk management and controls, health and safety and the appointment of the Company's principal external advisers, directors and senior executives are all subject to Board approval. A specific list of matters reserved for the Board is maintained and applied. Compliance is monitored by the Company Secretary.

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. Detailed reports are provided at each Board meeting.

### Independence

The Board has assessed the independence of each of the non executive Directors, taking account of the factors stated in the Combined Code.

Dermot Desmond has completed more than nine years' service and has a substantial shareholding. The Chairman, Brian Quinn, has also completed more than nine years' service as a director.

The Board has considered the tests stated in the Combined Code and is entirely satisfied that in their work for and support of the Company these individuals display independence of mind and judgement and objectivity in the contributions they make.

The Board has therefore determined that all of the non executive Directors were independent throughout the year and continue to be so.

The non executive Directors do not participate in Company share option schemes, pension plans or the bonus scheme. Save for individual shareholdings, none of the Directors has a financial interest in the Company.

### Review of Director performance

# Celtic plc

## CORPORATE GOVERNANCE

The Board has conducted an evaluation of its performance and that of its Committees, the Chairman and each of the non executive Directors. This was done by way of a detailed confidential questionnaire issued to all Directors. The results have been discussed in detail by the Board and comments noted.

All non executive Directors were considered to have performed well and to have met the high standards expected of a Director of the Company. Where any training or development need arises or is identified, the Company will fund attendance at relevant seminars and courses.

The performance of executive Directors is evaluated formally by the Remuneration Committee, against specific objectives set early in the financial year.

### **Attendance**

Ten Board meetings were held during the year. The Audit Committee met 3 times, the Remuneration Committee met 5 times and the Nomination Committee met twice.

Brian Quinn, Peter Lawwell, Brian McBride, Eric Riley and Eric Hagman attended all Board and Committee meetings for which they were eligible.

Mr Allison attended all meetings for which he was eligible, with the exception of one Board meeting which was rearranged and held overseas. Mr Wilson attended all meetings for which he was eligible with the exception of one Board meeting due to a prior commitment.

Mr Desmond attended one meeting of the Nomination Committee personally but did not otherwise attend any Board or Committee meetings in person. He was represented at all except one of the Board meetings (which was rearranged and held overseas) and one meeting of the Nomination Committee, where his representative was delayed by travel difficulties.

The Board is satisfied that where a Director did not attend a meeting there was sufficient and appropriate reason. Mr Desmond is 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.

All Directors are entitled to seek professional advice, at the Company's expense, to assist them in the performance of their duties. The Directors also have access to the advice and services of the Company Secretary.

### **Board Committees**

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

### ***Audit Committee***

The Committee consisted during the year of Eric Hagman, Tom Allison, Dermot Desmond, Brian McBride and Brian Wilson. Mr Hagman chaired one meeting during the year, prior to his retirement. Mr McBride has chaired 2 meetings on a temporary basis pending the appointment of a new non executive Director as Committee Chairman.

The Committee met three times in the year. The external auditor, Company Secretary, Financial Director and other members of the accounting team attend routinely. Business is also conducted without executive Directors and the auditors being present, when appropriate.

The Audit Committee has a number of key roles.

# Celtic plc

## CORPORATE GOVERNANCE

- review of Group's accounting policies, internal controls and financial reporting
- monitoring health and safety
- risk management and business continuity planning
- monitoring the scope, quality and independence of the external and internal audit functions
- appointment and fees of the external auditors

The auditors 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 5 times during the financial year. Tom Allison chairs this Committee, with Brian Quinn and Brian McBride being the other members.

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, including the proposed Long Term Incentive Plan. The Remuneration Report is set out in detail on pages [26 to 31].

### *Nomination Committee*

This Committee comprises Brian Quinn as Chairman, Dermot Desmond and Tom Allison. It meets as necessary, principally to consider and recommend new appointments to the Board and senior positions in the Company for succession purposes. The Committee met twice during the financial year. Executive search consultants are used by the Committee where considered appropriate but were not used in the course of this year.

## INVESTOR COMMUNICATION

Dialogue with shareholders remains an important part of the Board's work.

Matchday events and investor dinners are used as informal, but effective methods of communicating with shareholders. The Annual General Meeting in particular is used to encourage participation of shareholders. At each of these events shareholders are invited to ask questions and to meet with the Directors informally.

The Company's website is used to provide information on an ongoing basis and the Group Financial Statements and other information are published there shortly after release.

## REPORTING AND INTERNAL CONTROLS

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

Risk management, compliance and internal control programmes are approved, monitored and reviewed by the Audit Committee throughout the year on behalf of the Board. The results of these programmes 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.

# Celtic plc

## CORPORATE GOVERNANCE

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 that have taken place in the Group and in applicable rules and legislation. The review is currently 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 law. It has been approved and adopted by the Remuneration Committee and the Board.

#### The Remuneration Committee ("the Committee")

The Committee has formal terms of reference which are published on the Company's website. The Committee members serving during the year are identified on pages 18 and 19.

#### Remuneration Policy

Although not obliged to apply the Combined Code, the Company has again elected to report against the Code for the year ended 30 June 2007. The Company has complied with the Code during that period in connection with executive remuneration in force during that time.

The main objective of the policy 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. Account is taken of remuneration packages 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 for executive Directors and certain senior executives. A similar appraisal system is also applied to regular employees throughout the Company.

The Committee obtains advice from the Company Secretary and from independent research. External consultants, Macdonald Kinnaird, were also used during the year.

The service contracts of executive Directors can be terminated 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 operates an annual bonus scheme for all of its regular employees in order to encourage out performance and motivate and retain staff.

The Celtic plc Executive Share Option Scheme expired in December 2004. Options granted prior to then are not affected, although have been adjusted as a result of the share issue in December 2005. Further details on outstanding share options are given below.

The Company proposes, subject to shareholder approval, to introduce a Long Term Incentive Plan ("LTIP") as a replacement for the share option scheme. Further information is given below.

#### Remuneration of Executive Directors and Senior Executives

Payments made to Directors in the financial year are set out in the table on page 28.

There are several main elements to the Company's executive remuneration packages.

##### *Basic salary and benefits*

The Committee reviews basic salaries for executive Directors and senior executives annually.

Benefits for executive Directors include a fully expensed car or equivalent non pensionable car 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.

# Celtic plc

## REMUNERATION REPORT

### *Annual Performance Related Bonus Scheme*

The Group operates a bonus scheme for executive Directors and all full and part time employees on regular contracts, with the following key objectives

- Improving and sustaining the financial performance of the Group from year to year,
- Delivering and enhancing shareholder value,
- Enhancing the reputation and standing of Celtic,
- Delivering consistently high standards of service to Celtic and its customers, and
- Attracting, retaining and motivating talented individuals whose skills and services will enable Celtic to meet its strategic objectives

Performance conditions cover corporate financial performance and personal objectives. Corporate financial performance includes performance against budget and against the previous year's results. Maximum award levels depend upon seniority and contractual entitlements, ranging from 20% of basic salary to 60% of basic salary. The Committee reviews the bonus scheme structure and performance conditions each year. 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") expired in December 2004, having been in place for ten years. No further grants of options can be made under it.

Options granted, unless exercised or lapsing earlier, lapse on the tenth anniversary of the date of the grant.

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

### *Performance Conditions*

All outstanding options 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 were regarded as a challenging test of comparative financial performance, with a view to securing consistent growth and shareholder return against the sector.

### *Option Grants*

1997 Grant

# Celtic plc

## REMUNERATION REPORT

On 24 April 1997, a 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. At the beginning of the year, options from that grant over 60,000 Ordinary Shares of 1p were in place. These options were exercisable at any time between 24 April 2002 and 24 April 2007 and were not subject to performance conditions. Those options have since expired, with none having been exercised.

### 2001 Grant

Options were granted over Ordinary Shares of 1p each on 15 September 2001 at a price of 107 5p. No options over Ordinary Shares from the grant in September 2001 lapsed during the year. The total number outstanding at 1 July 2006 was 635,470.

### 2003 Grant

Options over 588,234 Ordinary Shares of 1p under the Scheme were granted on 27 October 2003 to Peter Lawwell, at an option price of 51p. None of these options lapsed during the year.

At the beginning of the financial year (1 July 2006), 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.

### Option adjustment

In December 2005 50,000,000 new Ordinary Shares of 1p each were allotted and issued to shareholders under an Open Offer and Offer for Subscription. Under the terms of the Scheme, in such circumstances the number of shares over which options subsist and the acquisition price, are to be adjusted in such manner as the Company's auditors consider is fair and reasonable. The consent of H M Revenue and Customs to any adjustment is also required.

During the financial year ending 30 June 2007, H M Revenue and Customs consented to a reduction in exercise price of 18.6% to reflect the dilutive impact of the December 2005 share issue, and required also that the number of options granted be increased by such amount as was necessary to maintain the original value of the option grants. The Company's auditors, PKF (UK) LLP, concurred with this position.

Accordingly, adjustments were made to all options outstanding at that time. At 30 June 2007, options were outstanding over 1,504,497 Ordinary Shares of 1p each, the options granted in April 1997 having lapsed. A summary of the outcome of the adjustments made is shown below.

Date of Grant	Original price	Adjusted price	Outstanding at 1 July 2006 No	Adjusted No	Outstanding at 30 June 2007
April 1997	300p	244p	60,000	73,770	0
September 2001	107 5p	87 4p	635,470	781,608	781,608
October 2003	51p	41 5p	588,234	722,889	722,889
<b>Total</b>			<b>1,283,704</b>	<b>1,578,267</b>	<b>1,504,497</b>

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

	Balance at 1 July 2006 Number	Exercise Price	Grants Adjustment* 2006/07	Exercised / Lapsed 2006/07	Balance at 30 June 2007 (Adjusted) Number	Adjusted Exercise price	Class	Option Period
P T Lawwell	588,234	51 0p	134,655		722,889	41 5p	Ordinary 1p	Oct 2006/13
E J Riley	413,053	107 5p	94,992		508,045	87 4p	Ordinary 1p	Sept 2004/11

\* Adjusted due to December 2005 share issue. Full details set out above.

The closing market price of Ordinary Shares on 29 June 2007 (the last business day of the financial year) was 60 0 p (2006 27 0p). The closing price range during the year was 22 50p to 62 75 p.

# Celtic plc

## REMUNERATION REPORT

### *Long Term Incentive Plan ("LTIP")*

The Board considers that it is appropriate to introduce a new long term incentive plan as a replacement for the share option scheme which expired in December 2004. The main objective of an LTIP is to retain and reward, through financial incentives, key executives within the Company over the medium to long term. This proposal is subject to approval of shareholders at the forthcoming Annual General Meeting.

Under the terms of the proposed LTIP, in return for these individuals remaining with the Company for a minimum of 4 years and during that period also meeting performance criteria imposed by the Board, annual awards would be made, which would then accrue and be released at the end of the 4 year period.

The LTIP, if approved, would apply to financial years 2007/2008 onwards. The performance conditions to be applied will be those personal performance conditions applied as part of the annual bonus scheme together with such further conditions as the Board, acting through the Remuneration Committee consider appropriate. Those conditions are required to be challenging but achievable. Performance conditions under the annual scheme have both personal and corporate performance elements.

These parameters have been selected because the Board believes that the objectives of the annual scheme for senior executives are also substantially based on the medium to longer term strategic objectives of the Company, taking account of the rolling 5 year business plan and the nature of the Company's business. Projects, such as the Lennoxtown training facility, may take a number of years to complete, with various milestones through that period, or have a longer term impact.

The executive Directors, Peter Lawwell and Eric Riley, are both participants in the proposed LTIP. Satisfaction of performance conditions would be determined by the Remuneration Committee at the end of the financial year.

Further details of the proposed LTIP are included in the Explanatory Notes accompanying the Notice of the Annual General Meeting.

### **Service Agreements**

#### *Executive Directors*

##### *Chief Executive*

Peter Lawwell's service contract 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 Intelligent Office Limited (formerly Electronic Document Services Limited). He retains the annual fee of £17,500 payable for that post. Mr Lawwell is entitled to a maximum payment under the Company's bonus scheme of 60% of basic salary, if all performance conditions are satisfied.

##### *Financial Director*

Eric Riley's service contract commenced on 19 August 1994 and continues subject to termination on twelve months' notice from the Company, or three months' notice from Mr Riley. Mr Riley is entitled to a maximum payment under the Company's bonus scheme of 50% of basic salary, if all performance conditions are satisfied. Mr Riley served as a non-executive director of the Scottish Football Association Limited during the year and of The Scottish Premier League Limited. No fee was payable for either post. Mr Riley has been reappointed to the Board of the Scottish Premier League Limited.

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.

# Celtic plc

## REMUNERATION REPORT

### *Non-executive Directors*

Individual letters govern the appointments of the Chairman and the non-executive Directors. Typically, non executive Directors are appointed for an initial period of three years and expected to serve for at least two three year terms but appointments may be extended beyond that at the discretion of the Board, and subject to re election by shareholders in accordance with the Articles of Association. These appointments are terminable immediately on written notice, without requirement for payment of compensation.

Brian Quinn has been a director of the Company since 1 March 1996. In accordance with the Combined Code, having served more than 9 years, he retires from office annually. Dermot Desmond has been a director since 12 May 1995 and also retires from office annually. Tom Allison was appointed on 15 September 2001 and is completing the last year of his second three year term of office. Brian McBride was appointed on 5 January 2005 with four months of the initial term of 3 years remaining. Brian Wilson joined the Board on 1 June 2005, with eight months of the initial period of three years remaining. Each of Tom Allison, Brian McBride and Brian Wilson will continue in office, at the invitation of the Board, for a further three years after expiry of the current periods.

### Remuneration of Directors

Directors' remuneration and benefits for the year to 30 June 2007 are set out in the table below.

	Salary/ Fees £	Bonus £	Benefits in kind £	Pension Contributions £	2007 Total £	2006 Total £
B Quinn CBE	30,000				30,000	30,000
P Lawwell	215,159		16,805	32,274		291,206
E Riley	128,806	56,353	19,224	19,321	223,704	201,420
T Allison	15,000				15,000	15,000
D Desmond	15,000				15,000	15,000
B McBride	15,000				15,000	15,000
B Wilson	15,000				15,000	15,000
E Hagman CBE*	5,000				5,000	15,000
	<u>438,965</u>	<u></u>	<u>36,029</u>	<u>51,595</u>	<u></u>	<u>597,626</u>

\* Retired 26 October 2006

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 fees was applied for the year ending 30 June 2006.

There has been no increase in non-executive Directors' fees since 1998, as result of which non-executive fees have been eroded by inflation and have also fallen significantly behind applicable market rates. Following a detailed review, which took account of independent external survey data and the advice of independent external consultants, an increase in non executive fees to £25,000 per year, and in the Chairman's fee, to £50,000 per year has been applied with effect from 1 July 2007. The decision on non executive fees was taken by the Chairman and the executive Directors. The Chairman did not participate in the decision making process in connection with his own fee.

The Board also decided that the post of Chairman of the Audit Committee should attract an additional fee of £5,000 per year, reflecting the significant additional responsibility and workload attached to that post.

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.

The Company Chairman is entitled to take up to 50% of his fees in Ordinary Shares of the Company, although he has not done so. The Chairman also has the use of a Company car and driver on Company business.

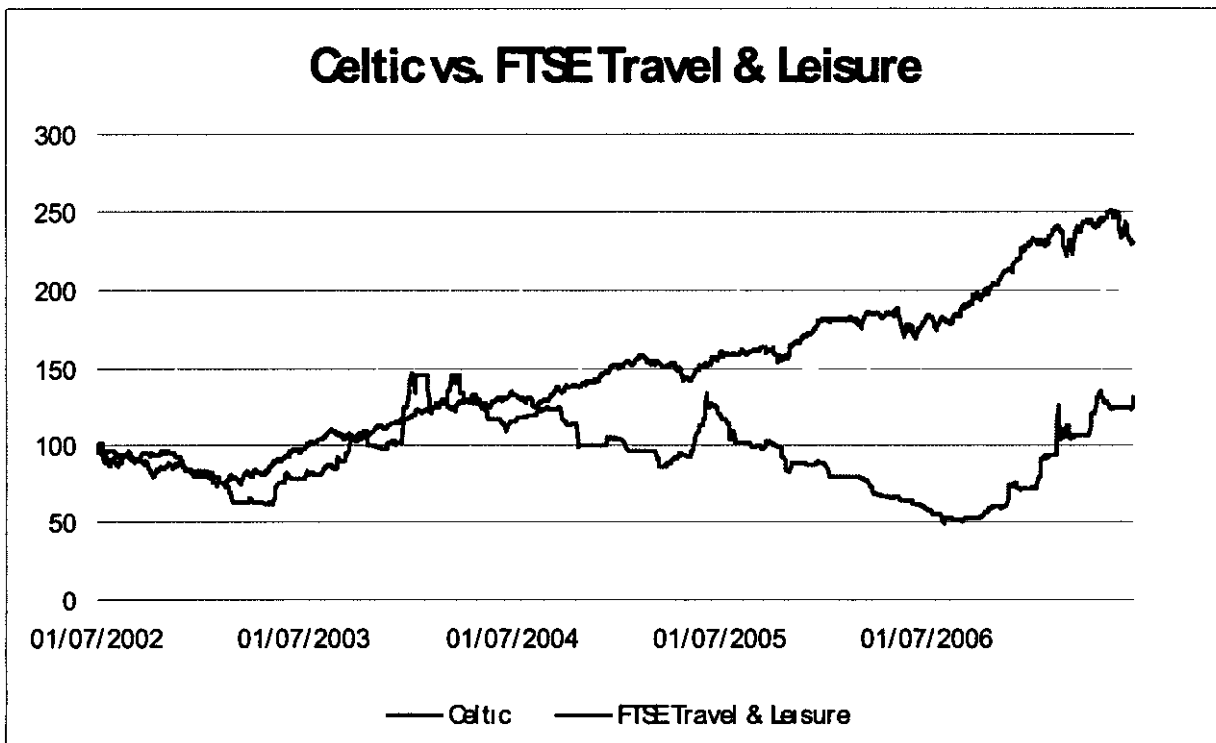
# Celtic plc

## REMUNERATION REPORT

### 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 2002 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 index, of which the Company was 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 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

20 August 2007

# Celtic plc

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to

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

The directors are responsible for keeping proper accounting records that 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors, who intend to publish these financial statements on the website [www.celticfc.net](http://www.celticfc.net), are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## FIVE YEAR RECORD

	2007	2006	2005	2004	2003
FINANCIAL	£000	£000	Restated £000	Restated £000	Restated £000
TURNOVER	75,237	57,411	62,168	69,020	60,569
PROFIT FROM OPERATIONS	15,954	3,737	4,100	4,870	6,730
PROFIT / (LOSS) AFTER TAXATION	15,040	(4,222)	(8,706)	(8,406)	(12,573)
NON EQUITY DIVIDENDS PAID	1,895	1,445	1,445	1,455	1,457
NET ASSETS	36,729	22,097	11,728	20,434	28,840
SHARES IN ISSUE (EXCL. DEFERRED) ('000)	115,992	115,828	65,762	65,762	65,762
EARNINGS / (LOSS) PER ORDINARY SHARE	18.53p	(7.19p)	(28.27p)	(27.46p)	(41.14p)
DILUTED EARNINGS / (LOSS) PER SHARE	11.48p	(7.19p)	(28.27p)	(27.46p)	(41.14p)
NUMBER OF EMPLOYEES	496	489	453	493	418
FOOTBALL	2007	2006	2005	2004	2003
LEAGUE POSITION	1	1	2	1	2
LEAGUE POINTS	84	91	92	98	97
SCOTTISH CUP	WINNERS	THIRD ROUND	WINNERS	WINNERS	QUARTER FINAL
LEAGUE CUP	QUARTER FINAL	WINNERS	QUARTER FINAL	QUARTER FINAL	FINAL
EUROPEAN TIES PLAYED	4	1	3	8	8
CELTIC PARK	2007	2006	2005	2004	2003
STADIUM INVESTMENT TO DATE (£000)	59,268	58,439	58,328	56,408	55,632
STADIUM SEATING CAPACITY	60,355	60,355	60,355	60,355	60,355
AVERAGE HOME LEAGUE ATTENDANCE	57,629	58,193	57,965	58,420	57,154
SEASON TICKET SALES	53,040	53,602	53,369	53,158	53,464

# Celtic plc

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the group and parent company financial statements ('the financial statements') of Celtic plc for the year ended 30 June 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

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 and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information in the directors' report includes that specific information presented in the financial review that is cross referred from the business section of the directors' report.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the chairman's statement, the chief executive's review, the financial review, the directors' report, the corporate governance report and the remuneration report. 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

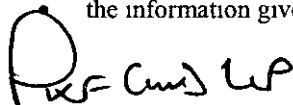
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the directors' report is consistent with the financial statements.



PKF (UK) LLP  
Registered Auditors  
Glasgow, UK

20 August 2007

# Celtic plc

## GROUP PROFIT AND LOSS ACCOUNT

### YEAR ENDED 30 JUNE 2007

	Notes	2007		2006	
		Operations excluding player trading £000	Player trading £000	Total £000	£000
<b>TURNOVER – group and share of joint venture</b>		75,237		75,237	57,859
<b>LESS SHARE OF JOINT VENTURE</b>					(448)
<b>GROUP TURNOVER</b>	2	75,237		75,237	57,411
<b>OPERATING EXPENSES</b>	3	(59,283)	-	(59,283)	(53,674)
<b>PROFIT FROM OPERATIONS</b>		15,954		15,954	3,737
<b>EXCEPTIONAL OPERATING EXPENSES</b>	3, 4	(216)	(2,663)	(2,879)	(579)
<b>AMORTISATION OF INTANGIBLE FIXED ASSETS</b>	3, 13		(5,865)	(5,865)	(5,095)
<b>GROUP OPERATING PROFIT/(LOSS)</b>		15,738	(8,528)	7,210	(1,937)
<b>LESS SHARE OF OPERATING PROFIT IN JOINT VENTURE</b>					
<b>TOTAL OPERATING PROFIT/(LOSS)</b>		15,738	(8,528)	7,210	(1,937)
<b>PROFIT / (LOSS) ON DISPOSAL OF INTANGIBLE FIXED ASSETS</b>			9,397	9,397	(265)
<b>LOSS ON DISPOSAL OF TANGIBLE FIXED ASSETS</b>		(339)		(339)	(250)
<b>PROFIT/(LOSS) BEFORE INTEREST AND TAXATION</b>		15,399	869	16,268	(2,452)
<b>INTEREST PAYABLE</b>	8				
<b>BANK LOANS AND OVERDRAFTS</b>				(484)	(999)
<b>NON EQUITY SHARES</b>				(744)	(771)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				15,040	(4,222)
<b>TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	9				
<b>PROFIT/(LOSS) FOR THE YEAR</b>	22			15,040	(4,222)
<b>EARNINGS / (LOSS) PER ORDINARY SHARE</b>	11			18.53p	(7 19p)
<b>DILUTED EARNINGS / (LOSS) PER SHARE</b>	11			11.48p	(7 19p)

All amounts relate to continuing operations

There were no gains or losses recognised in either 2007 or 2006 other than the profit for the year

# Celtic plc

## GROUP BALANCE SHEET

### 30 JUNE 2007

		2007		2006	
	Notes	£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	12		55,861		49,924
Intangible assets	13		12,990		7,593
			68,851		57,517
<b>CURRENT ASSETS</b>					
Stocks	15	3,383		1,901	
Debtors	17	7,997		5,029	
Cash at bank and in hand		7,006		2,914	
		18,386		9,844	
<b>CREDITORS</b> Amounts falling due within one year					
	18		(20,922)		(15,481)
Income deferred less than one year	19		(13,244)		(12,589)
			(34,166)		(28,070)
<b>NET CURRENT LIABILITIES</b>			(15,780)		(18,226)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			53,071		39,291
<b>CREDITORS</b> Amounts falling due after more than one year					
	20		(16,342)		(17,194)
<b>NET ASSETS</b>			36,729		22,097
<b>CAPITAL AND RESERVES</b>					
Called up share capital	21		23,452		23,450
Other reserve	22		21,222		21,222
Share premium account	22		14,129		14,089
Capital redemption reserve	22		2,440		1,739
Profit and loss account	22		(24,514)		(38,403)
<b>SHAREHOLDERS' FUNDS</b>			36,729		22,097

The Financial Statements were approved and authorised for issue by the Board on 20 August 2007 and were signed on its behalf by

  
Peter T Lawwell

Director

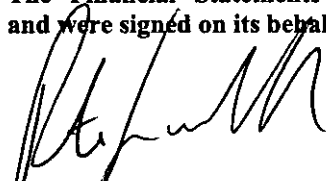
  
Eric J Riley

Director

**Celtic plc**  
**COMPANY BALANCE SHEET**  
**30 JUNE 2007**

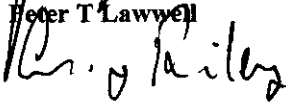
	Notes	2007		2006	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible assets	12		55,861		49,924
Intangible assets	13		<u>12,990</u>		<u>7,593</u>
			<b>68,851</b>		<b>57,517</b>
 <b>CURRENT ASSETS</b>					
Debtors (includes £21.54m (2006 £29 94m) recoverable after more than one year)	17	26,033		30,659	
Cash at bank and in hand		<u>131</u>		<u>4</u>	
		<b>26,164</b>		<b>30,663</b>	
 <b>CREDITORS</b> Amounts falling due within one year					
	18		<u>(16,497)</u>		<u>(9,484)</u>
 <b>NET CURRENT ASSETS</b>					
			<u>9,667</u>		<u>21,179</u>
 <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			<b>78,518</b>		<b>78,696</b>
 <b>CREDITORS</b> Amounts falling due after more than one year					
	20		<u>(15,112)</u>		<u>(15,814)</u>
 <b>NET ASSETS</b>					
			<u>63,406</u>		<u>62,882</u>
 <b>CAPITAL AND RESERVES</b>					
Called up share capital	21		23,452		23,450
Other reserve	22		21,222		21,222
Share premium account	22		14,129		14,089
Capital redemption reserve	22		2,440		1,739
Profit and loss account	22		<u>2,163</u>		<u>2,382</u>
 <b>SHAREHOLDERS' FUNDS</b>					
			<u>63,406</u>		<u>62,882</u>

The Financial Statements were approved and authorised for issue by the Board on 20 August 2007 and were signed on its behalf by



Peter T Lawwell

Director



Eric J Riley

Director

# Celtic plc

## GROUP CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2007

	2007 £000	2006 £000
<b>RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Operating profit / (loss)	7,210	(1,937)
Depreciation	1,708	1,798
Amortisation of intangible fixed assets	5,865	5,095
Provision for impairment of intangible fixed assets	2,663	400
(Increase) / decrease in stocks	(1,482)	86
Decrease / (increase) in debtors	987	(308)
Increase / (decrease) in creditors and deferred income	1,089	(159)
	<b>18,040</b>	<b>4,975</b>
<b>CASH FLOW STATEMENT</b>		
Net cash inflow from operating activities	18,040	4,975
Returns on investments and servicing of finance (Note 24)	(1,005)	(1,520)
Capital expenditure and financial investment (Note 24)	(12,054)	(6,869)
	<b>4,981</b>	<b>(3,414)</b>
Cash inflow / (outflow) before use of liquid resources and financing		
Financing (Note 24)	(889)	(8,393)
Net proceeds of equity share capital		14,550
	<b>4,092</b>	<b>2,743</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 25)</b>		
Increase in cash in the year	4,092	2,743
Cash outflow from movement in debt	889	8,393
	<b>4,981</b>	<b>11,136</b>
Change in net debt resulting from cash flows		
Non cash movement in debt	(181)	(210)
Movement in net debt in the year	4,800	10,926
	<b>(13,965)</b>	<b>(24,891)</b>
Net debt at 1 July		
	<b>(9,165)</b>	<b>(13,965)</b>
Net debt at 30 June		

# Celtic plc

## GROUP CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2007

#### 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 2006 which included implementation of the presentational aspects of FRS 25 ("Financial Instruments disclosure and presentation") for the first time. Under FRS 25 the Group's Preference Shares and Convertible Preferred Ordinary Shares, as compound financial instruments, have been reclassified as a combination of debt and equity and non equity dividends reclassified as interest with a resultant reduction in Shareholders' Funds. Consequently, net assets of the Group at 30 June 2007 are reported £3.11m (2006: £3.81m) below that which would have been reported prior to the implementation of FRS 25. As a result of the accounting treatment of the Convertible Preferred Ordinary Share dividends under FRS 25, there is a requirement under the capital maintenance provisions of the Companies Act 1985 to transfer an element of distributable reserves into a capital redemption reserve.

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 with 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 2007. 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 Group profit and loss account includes the Group's share of turnover and operating profit or loss of the joint venture. The results for the joint venture are based on the management accounts to 31 March 2006, the date at which the Group disposed of its interest in the 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 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.

Assets under construction amounting to £8.22m (2006: £1.53m) are not depreciated and include capitalised interest of £0.28m (2006: £0.01m).

##### (d) Intangible fixed assets

Initial costs directly attributable to the acquisition and retention of football personnel are capitalised and treated as intangible fixed assets. Subsequent amounts relating to the retention of football personnel are capitalised only when they become unavoidable due to the elimination of all contingent events relating to their payment. All of these amounts are amortised over the contract period remaining from their capitalisation to 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 on a straight line basis over the remaining term of the contract period.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

#### (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.

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.

All turnover is recognised when the event to which it relates takes place. Income relating to future events is treated as deferred.

#### (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. 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 funds 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

#### (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.

#### 2 TURNOVER

Turnover in respect of the five business operations, all of which arises in the UK, comprised	2007 £000	2006 £000
Professional football	34,345	26,659
Multimedia and communications	23,199	11,889
Merchandising	13,367	14,337
Stadium enterprises	2,679	2,779
Youth development	1,647	1,747
	75,237	57,411

#### 3 OPERATING EXPENSES

Total operating expenses comprised	2007 £000	2006 £000
Staff costs (Note 5)	36,421	32,490
Depreciation of tangible fixed assets (Note 12)	1,708	1,798
Other operating charges	21,154	19,386
	59,283	53,674
Amortisation of intangible fixed assets (Note 13)	5,865	5,095
Exceptional operating expenses (Note 4)	2,879	579
	68,027	59,348
Other operating charges include	2007 £000	2006 £000
Auditors' remuneration		
audit fees – Celtic plc	8	8
other assurance	21	20
taxation	23	27
corporate finance		10
other services	4	2
Operating lease payments		
land and buildings	847	920
plant & vehicles	24	36

#### 4 EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £2.88m (2006: £0.58m) reflect £0.22m (2006: £0.18m) in respect of labour costs largely arising as a result of the early termination of certain employment contracts and £2.66m (2006: £0.40m) in respect of a provision for impairment of intangible fixed assets.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

#### 5 STAFF PARTICULARS

	2007 £000	2006 £000
Wages and salaries	32,356	29,136
Social security costs	3,642	2,894
Other pension costs	423	460
	36,421	32,490
<b>Group</b>	<b>Number</b>	<b>Number</b>
Average number of full time equivalents employed in the year	2007	2006
Professional football and youth development	168	167
Other business operations	328	322
	496	489
<b>Company</b>	<b>Number</b>	<b>Number</b>
Average number of full time equivalents employed in the year	2007	2006
Professional football and youth development	72	66
Other business operations	22	23
	94	89

#### 6 DIRECTORS' EMOLUMENTS

	2007 £000	2006 £000
Aggregate emoluments of Directors	[    ]	548
Pension contributions	52	46
	[    ]	594

Aggregate emoluments and pension contributions of the highest paid director were [£xxx] (2006 £258,932) and £32,274 (2006 £27,011) respectively. During the year contributions were paid to defined benefit money purchase pension schemes in respect of 2 (2006 2) directors. Details of directors' emoluments are included within the Remuneration Report on pages 23 to 26.

#### 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 £168,525 (2006 £164,277). Contributions of £21,293 (2006 £nil) were payable to the fund at the year end.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

#### 8 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £000	2006 £000
Interest payable and similar charges comprised		
On bank overdrafts	-	416
On bank and other loans	484	583
On bank loans and overdrafts	484	999
Convertible cumulative preference shares of 60p each	544	544
Convertible preferred ordinary shares of £1 each	200	227
On non –equity shares	744	771
Total interest payable	1,228	1,770

#### 9 TAX ON ORDINARY ACTIVITIES – GROUP

No provision for corporation tax or deferred tax is required in respect of the year ended 30 June 2007. Estimated tax losses available for set-off against future trading profits amount to approximately £30m (2006 £44m). This estimate is subject to the agreement of the current and prior years' corporation tax computations with HM Revenue and Customs.

The corporation tax assessed for the year is different from the standard rate of corporation tax in the United Kingdom of 30% (2006 30%). The differences are explained below.

	2007 £000	2006 £000
Profit / (loss) on ordinary activities before tax	15,040	(4,222)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2006 30%)	4,512	(1,267)
Effects of		
Expenses not deductible for tax purposes	13	24
Capital allowances for the period in excess of depreciation	(309)	
Depreciation for the period in excess of capital allowances		539
Dividends reclassified as interest	223	231
Untaxed income	(285)	(312)
Losses (utilised) / created in year	(4,154)	785
Current corporation tax charge for year		

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

#### 10 DIVIDENDS PAYABLE

A 6% (before tax credit deduction) non equity dividend of £0.54m is payable on 31 August 2007 to those holders of Convertible Cumulative Preference Shares on the share register at 3 August 2007, together with the amount due in respect of the Convertible Preferred Ordinary Shares fixed dividend of 4% of £0.9m (2006 £0.9m) plus the participating dividend of 2%, £0.45m (2006 £nil) as a result of reaching the knockout stage of the UEFA Champions League. 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. The implementation of the presentational aspects of FRS 25 ("Financial Instruments: disclosure and presentation") in the preparation of the annual results, requires that the Group's Preference Shares and Convertible Preferred Ordinary Shares, as compound financial instruments, are classified as a combination of debt and equity and the attributable non equity dividends are classified as interest.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

#### 11 EARNINGS PER SHARE

Earnings per share has been calculated by dividing the profit for the period of £15.04m (2006: £4.22m loss) by the weighted average number of Ordinary Shares of 81.15 million (2006: 58.76 million) in issue during the year. Diluted earnings per share as at 30 June 2007 has been calculated by dividing the earnings for the period by the weighted average number of Ordinary Shares, Preference Shares and Convertible Preferred Ordinary Shares in issue, assuming conversion at the balance sheet date, and the full exercise of outstanding share purchase options, if dilutive, in accordance with FRS 22 Earnings Per Share. The result of this calculation was 135.8 million shares (2006: 58.76 million). As at June 2006 and June 2007 no account was taken of potential share purchase options, as these potential ordinary shares were 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 2006	39,096	3,210	19,585	61,891
Additions	6,680		1,304	7,984
Disposals		(57)	(959)	(1,016)
<b>At 30 June 2007</b>	<b>45,776</b>	<b>3,153</b>	<b>19,930</b>	<b>68,859</b>
<b>Accumulated Depreciation</b>				
At 1 July 2006	514	1,462	9,991	11,967
Charge for year	190	107	1,411	1,708
Eliminated on disposal		(46)	(631)	(677)
<b>At 30 June 2007</b>	<b>704</b>	<b>1,523</b>	<b>10,771</b>	<b>12,998</b>
<b>Net Book Value</b>				
<b>At 30 June 2007</b>	<b>45,072</b>	<b>1,630</b>	<b>9,159</b>	<b>55,861</b>
At 30 June 2006	38,582	1,748	9,594	49,924

Included in Freehold Land and Buildings are assets under construction amounting to £8.22m (2006: £1.53m) which are not depreciated and include capitalised interest of £0.28m (2006: £0.01m).

#### 13 FIXED ASSETS – INTANGIBLE ASSETS

##### Group and Company

	2007 £000	2006 £000
<b>Cost</b>		
At 1 July	23,530	38,445
Additions	14,439	8,840
Disposals	(8,987)	(23,755)
<b>At 30 June</b>	<b>28,982</b>	<b>23,530</b>
<b>Amortisation</b>		
At 1 July	15,937	33,192
Charge for year	5,865	5,095
Provision for impairment	2,663	400
Disposals	(8,473)	(22,750)
<b>At 30 June</b>	<b>15,992</b>	<b>15,937</b>
<b>Net Book Value</b>		
<b>At 30 June</b>	<b>12,990</b>	<b>7,593</b>

The net gain on sale of player registrations in the year was £9.40m (2006: £265,000 loss).

# Celtic plc

## GROUP CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2007

#### 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

##### Other Investments

Celtic F C Limited held an investment of 50% in Setanta (CTV) Broadcasting Limited, a company registered in Ireland which broadcast Celtic TV. This investment was disposed of on 31 March 2006, but was accounted for up until that date within the consolidated financial statements under the gross equity method based on the management accounts of the joint venture. Under the terms of the joint venture agreement, Celtic F C Limited was not required to fund any losses that may be accumulated by the joint venture company. Celtic F C Limited had no share of the gross assets less gross liabilities in the joint venture at 30 June 2007 or 2006.

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

#### 15 STOCKS

	2007 Group £000	2006 Group £000	2007 Company £000	2006 Company £000
Goods for resale	3,337	1,868	-	
Consumable stock	46	33		
	3,383	1,901		

#### 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 £9.10m (2006 £13.80m). 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 2007, the deferred tax asset not reflected in the Company's Financial Statements was £0.43m (2006 £0.69m). This asset will be recovered against future taxable profits of the Company.

# Celtic plc

## GROUP CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2007

#### 17 DEBTORS

	2007 Group £000	2006 Group £000	2007 Company £000	2006 Company £000
Debtors comprised				
Trade debtors	5,838	1,550	4,427	246
Other debtors	1,209	1,589		337
Prepayments and accrued income	950	1,890	70	136
Due from subsidiary undertaking			21,536	29,940
	<u>7,997</u>	<u>5,029</u>	<u>26,033</u>	<u>30,659</u>

The increase in trade debtors is largely as a result of increased amounts receivable in instalments in respect of the disposal of intangible fixed assets

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. All other debts are due within one year.

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

	2007 Group £000	2006 Group £000	2007 Company £000	2006 Company £000
Other loans	158	164	158	164
Bank overdraft				168
Trade creditors	10,076	2,932	8,064	1,302
Other taxation and social security	1,423	2,574	1,011	629
Proposed dividends	994	544	994	544
Debt element of non equity shares	901	901	901	901
Other creditors	923	336	605	227
Accruals	6,447	8,030	4,764	5,549
	<u>20,922</u>	<u>15,481</u>	<u>16,497</u>	<u>9,484</u>

The increase in trade creditors is largely as a result of increased amounts due in respect of the acquisition of intangible fixed assets

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 reduced level of VAT payable as compared to 2006

#### 19 INCOME DEFERRED LESS THAN ONE YEAR

	2007 Group £000	2006 Group £000	2007 Company £000	2006 Company £000
Deferred income	<u>13,244</u>	<u>12,589</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

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

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

	2007 Group £000	2006 Group £000	2007 Company £000	2006 Company £000
Loan instalments	12,000	12,000	12,000	12,000
Debt element of non equity shares	3,112	3,814	3,112	3,814
Deferred income	1,230	1,380		
	<b>16,342</b>	<b>17,194</b>	<b>15,112</b>	<b>15,814</b>
<b>Group and Company</b>			<b>2007 £000</b>	<b>2006 £000</b>

Loan instalments are repayable as follows

In one year or less		
Between one and two years		
Between two and five years		
In more than five years	<b>12,000</b>	<b>12,000</b>
	<b>12,000</b>	<b>12,000</b>

Loans repayable by instalments include bank loans of £12 00m (2006: £12 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 and land at Lennoxton

#### 21 SHARE CAPITAL

	Authorised 30 June		Allotted, called up and fully paid 30 June			
	2007 No 000	2006 No 000	2007 No 000	2007 £000	2006 No 000	2006 £000
<b>Group and Company Equity</b>						
Ordinary Shares of 1p each	211,701	211,701	81,181	812	81,017	810
Deferred Shares of 1p each	100,362	100,362	100,362	1,004	100,362	1,004
<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	19,299	19,299	16,799	10,080	16,799	10,080
Less reallocated to debt under FRS 25				<b>(6,456)</b>		<b>(6,456)</b>
	<b>351,362</b>	<b>351,362</b>	<b>216,354</b>	<b>23,452</b>	<b>216,190</b>	<b>23,450</b>

On 31 August 2006 164,042 new Ordinary Shares of 1p each were issued in respect of mandates received from holders of Convertible Cumulative Preference Shares (“CCP Shares”) and Convertible Preferred Ordinary Shares (“CPO Shares“) participating in the Company’s scrip dividend reinvestment scheme

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

Following the adoption of the presentational aspects of FRS 25, elements of the Convertible Cumulative Preference Shares and the Convertible Preferred Ordinary Shares were reclassified as debt as noted above

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 may be converted into Ordinary Shares and Deferred Shares on the election of the shareholder. 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 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 2006, 2,000 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 17 August 2007, 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 23 to 26.

## 22 RESERVES

The movement of reserves during the year was as follows:

Group	Other Reserve £000	Profit and Loss Account £000	Share Premium £000	Capital redemption reserve £000
As at 1 July 2006	21,222	(38,403)	14,089	1,739
Premium on Ordinary Shares Issued during the year			40	
Participating Dividend on Convertible Preferred Ordinary Shares		(450)		
Transfer to capital redemption reserve		(701)		701
Profit for the year		15,040		
<b>At 30 June 2007</b>	<b>21,222</b>	<b>(24,514)</b>	<b>14,129</b>	<b>2,440</b>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

Company	Other Reserve £000	Profit and Loss Account £000	Share Premium £000	Capital redemption reserve £000
As at 1 July 2006	21,222	2,382	14,089	1,739
Premium on Ordinary Shares Issued during the year			40	
Participating Dividend on Convertible Preferred Ordinary Shares		(450)		
Transfer to capital redemption reserve		(701)		701
Profit for the year		932		
<b>At 30 June 2007</b>	<b>21,222</b>	<b>2,163</b>	<b>14,129</b>	<b>2,440</b>

The parent Company's profit for the financial year is £0 93m (2006 £0 38m)

In accordance with Resolution No 8 at the 2002 Annual General Meeting and the Court Order obtained on 9 May 2003, the previous Share Premium Account balance was cancelled and transferred to the Other Reserve. Under the terms of this cancellation, an amount equal to three times the Executive Club loans, currently equal to £474,000 (2006 £492,000) will remain non distributable from this Other Reserve until such loans are repaid by the Company.

The increase in the share premium account above reflects the premium on the Ordinary Shares issued in the year.

#### 23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	2007 £000	2006 £000
At 1 July	22,097	11,728
Movements in year		
Issue of ordinary share capital	42	14,591
Participating dividend payable on the Convertible Preferred Ordinary Shares	(450)	
Profit / (loss) for the year	15,040	(4,222)
<b>At 30 June</b>	<b>36,729</b>	<b>22,097</b>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2007

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

	2007 £000	2006 £000
<b>Returns on investments and servicing of finance</b>		
Dividends paid	(521)	(521)
Interest paid	(484)	(999)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(1,005)</u>	<u>(1,520)</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(7,069)	(3,035)
Payments to acquire intangible fixed assets	(10,959)	(4,477)
Proceeds from sales of intangible fixed assets	5,974	643
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>(12,054)</u>	<u>(6,869)</u>
<b>Financing</b>		
Loans paid	(883)	(8,383)
Loan instalments paid	(6)	(10)
<b>Net cash outflow from financing</b>	<u>(889)</u>	<u>(8,393)</u>

### 25 ANALYSIS OF NET DEBT

	At 1 July 2006 £000	Cash Flow £000	Non cash Movement in Debt £000	At 30 June 2007 £000
Cash at bank and in hand	2,914	4,092		7,006
	2,914	4,092		7,006
Debt due within 1 year	(1,065)	6		(1,059)
Debt due after 1 year	(15,814)	883	(181)	(15,112)
	(16,879)	889	(181)	(16,171)
<b>Net debt</b>	<u>(13,965)</u>	<u>4,981</u>	<u>(181)</u>	<u>(9,165)</u>

### 26 CAPITAL AND OTHER FINANCIAL COMMITMENTS

#### a. Capital commitments

##### Group & Company

	2007 £000	2006 £000
Authorised and contracted for	<u>1,215</u>	<u>7,207</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

#### b. Other commitments

At 30 June 2007 the Group had annual commitments under operating leases as follows

	Land & Buildings		Other	
	2007 £000	2006 £000	2007 £000	2006 £000
<b>Expiry date:</b>				
Within 1 year		26	24	12
Between 2 and 5 years	74			20
In more than 5 years	813	898		

#### 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 2007 could result in an amount payable of £3.76m (2006 £2.26m), of which £1.34m could arise within one year and amounts receivable of £1,325,000 (2006 £500,000), of which £825,000 (2006 £250,000) 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 2007 was £nil (2006 £nil).

## 27 FINANCIAL INSTRUMENTS

The principal financial instruments of the Group during the financial year ended 30 June 2007 and as at the balance sheet date were trade debtors and creditors, bank borrowings, cash and compound financial instruments.

Trade debtors are subject to standard payment terms and conditions and terms in respect of trade creditors are as noted below.

The principal risks arising from the Group's financial instruments are interest rate risk and credit risk. The majority of the transactions undertaken in the year are in sterling, therefore the Group's exposure to foreign currency risk is minimal. Where appropriate, the Group may hedge its position utilising forward contracts. However, the Group has no exposure to any forward foreign exchange contracts as at the balance sheet date and did not enter into any forward contracts during the year.

#### Interest Rate Risk

The working capital of the Group is funded largely by bank borrowings. The Group has a £36m facility with the Co-operative Bank of which £12m is in the form of overdraft and £24m in long term loans. While the nature of the overdraft results in the application of a floating rate, the loans offer the possibility to lock into a longer term interest rate. £12m (2006 £12m) of the loan facility is required to be drawn down for the term of the facility agreement. In 2007 fixed rate periods varied between one and three months and the average balance on the loans was £12.0m (2006 £14.72m). During the course of the year the Group had an average credit balance on the overdraft facility of £0.96m (2006 £3.84m). The average overdraft rate applicable during the year was 6.04% (2006 5.52%) and the average loan rate 6.20% (2006 5.68%). In terms of the overall risk management process, executive management liaise closely with advisers in managing the risk profile of the Group. In times of interest rate volatility, executive management take advice as to the various instruments that may protect the Group against increased costs, whether this be an interest rate cap, collar or other mechanism. No such mechanisms were utilised during the year nor in 2006.

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 2006. 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 maturity profile of the Group's financial liabilities at 30 June 2007 and 30 June 2006 and details of applicable

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2007

interest rates on these liabilities are disclosed in notes 18 and 20

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

Of the available bank facilities of £36 00m (2006 £36 00m), of which £24 00m is represented by long term loans and £12 00m by overdraft, £24 00m (2006 £ 24 00m) remains undrawn at the balance sheet date as follows

	2007 £000	2006 £000
Loans repayable between two and five years	2,063	1,312
Loans repayable in more than five years	9,937	10,688
Overdraft repayable on demand	12,000	12,000
	24,000	24,000

#### Credit Risk

Although the vast majority of individual transactions entered into with customers of the Group are low value, the Group's business objectives rely on maintaining a high quality customer base and place strong emphasis on good credit management. Prior to entering into significant contracts extensive credit checks on potential customers are carried out with the results having a very strong bearing on the selection of trading partner. Executive management are responsible for most day to day aspects of credit management although contracts of significance, in terms being in excess of a predetermined value, are referred to the Board.

#### Liquidity Risk

The financial liabilities of the Group, principally trade creditors and bank borrowings, are repayable in accordance with the respective trading and lending terms entered into by the Group. Trade creditors are payable monthly in arrears where undisputed or alternatively in accordance with particular contract terms. As at 30 June 2007, 75% of trade creditors were due to be paid within one month (2006 65%).

The maturity profile of the bank borrowings of the Group is as set out in Note 20. Other loans of £0 16m (2006 £0 16m) are repayable on demand.

The Group prepares annual budgets including a cash flow forecast. Monthly management accounts are produced which report performance against budget and also provide a forecast of the annual financial performance and cash flow. This is monitored closely by the executive management and corrective action taken where appropriate.

#### Compound Financial Instruments

The Company's non equity Convertible Preferred Ordinary Shares are convertible to equity (Ordinary and Deferred) shares on or any date after 1 September 2007 at the discretion of the shareholder. The conversion rate however will remain fixed as at 1 September 2007. Until 1 September 2007, 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 after 1 July 2001 at the discretion of the shareholder. Until these shares are converted to equity, the holders are entitled to a fixed dividend of 6% before deduction of tax credit.

#### Fair value of financial assets and financial liabilities

The fair value of the Group's financial assets and liabilities, as defined above, are not materially different to their book value. The fair value of the debt element of the compound financial instruments has been calculated by reference to the discounted value of future cash flows.

## 28 POST BALANCE SHEET EVENTS

#### Capital Expenditure

Since the balance sheet date further capital expenditure on intangible assets of £0 35m (2006 £0 14m) has been committed.

# Celtic plc

## CELTIC CHARITY FUND

Formed in 1995, Celtic Charity Fund formalised and revitalised our support of charitable causes, focusing on Brother Walfred's founding principles. Due to the fantastic support received in 2006/07, over £170,000 was committed to 33 charities. Fundraising activities included:

### Celtic v Liverpool Legends Charity Match

Celtic Park hosted this successful encounter, which was screened live on Channel 5 and raised in the region of £130,000. As a result, substantial donations were made to the Marina Dalglish Appeal and Vision Aid Overseas (as nominated by Agnes Johnstone, widow of Jimmy, our Greatest Ever Celt).

### 2007 Annual Sporting Dinner

A total of approximately £65,000 was generated on the night. The principal beneficiary – *DebRA* – received a donation of £25,000. *DebRA* is the only patient support group and medical research charity in the UK, working on behalf of people living with the genetic skin blistering condition Epidermolysis Bullosa (EB).

### Charity Badge Day

This was held at the Celtic versus Hearts game, to commemorate the 40<sup>th</sup> Anniversary of our famous victory in Lisbon. The generosity of supporters on the day was phenomenal and slightly over £21,000 was raised.

In addition to the many cash donations received, Celtic Football Club once again contributed a substantial level of in-kind support to Celtic Charity Fund including all staffing, facilities, establishment and support costs. The Club also made direct in-kind contributions to a wide range of worthy causes throughout the season in the form of match tickets, signed merchandise, stadium tours and a range of other items.

In terms of allocating the funds raised, Celtic Charity Fund has an application process in place with two closing dates per year, 30<sup>th</sup> June and 31<sup>st</sup> December. We continue to receive requests totalling far more than the funds we have available. The three Trustees make decisions based primarily on each application's alignment with our objectives. Principal and subsidiary areas of support are:

### PRINCIPAL 1 Charities in support of children's needs

**Examples**      *Glasgow Taxi Outing Fund for Sick Children* – 20<sup>th</sup> June 2007 saw the 62<sup>nd</sup> annual event, with around 250 black cabs forming a colourful convoy to Troon. The children involved, with special needs or from disadvantaged circumstances, had a fantastic day out and Celtic Charity Fund was proud to be the event's principal sponsor for the eighth year in a row.

*Schiehallion Unit, Yorkhill Hospital* – A surprise December visit by members of the Celtic first team brought some festive cheer to a group of seriously ill children. The Bhoys also presented the Unit with a much needed donation.

*Northern Ireland Children's Hospice* – a CCF award has helped continue the vital care programmes at Ireland's only children's hospice, which receives no government funding.

### PRINCIPAL 2 Community action on drugs

**Examples**      *Gallowgate Family Support Group* – This East End charity provides support to local parents and families of those affected by drug addiction issues. The CCF donation went towards the cost of a caravan for respite breaks.

*HURT (Have Your Tomorrows)* – Based in Northern Ireland, HURT offers support and treatment for drug and alcohol users and their families through holistic therapies, confidential helpline and educational & employment classes. Our award has helped improve facilities.

# Celtic plc

## CELTIC CHARITY FUND

### PRINCIPAL 3 Projects that develop and promote religious and ethnic harmony

Example *UK Asian Soccer Championships* – this annual event was sponsored by Celtic Charity Fund

Our ancillary activities included the following

### SUBSIDIARY 1 Supporting the homeless

Example *Glasgow Simon Community* – CCF is a regular supporter of this local charity, which provides a range of services for Glasgow's homeless community

*Loaves & Fishes* – provides a soup kitchen facility and counselling service to homeless people in Glasgow. The CCF contribution has helped continue this vital provision

### SUBSIDIARY 2 - Helping the unemployed

There were no applications received in 2006/07, which focused solely on helping the unemployed, but a number of those linked to homelessness also provide employment support services. In addition, the Celtic Foundation's 'Support Employment Project' continues to operate on a very successful basis

### SUBSIDIARY 3 Support and research for projects aiding the afflictions of illness, famine and innocent families within areas of war

Example *Chernobyl Children in Need* – CCF has helped this charity, which supports the poor and sick children of Ozarichi by the provision of good sanitation, water and healthcare

*Parkinson's Disease Society* – researches the cause and potential cure for Parkinson's and provides support, information and advice to carers, family and friends. CCF support has assisted this

As in previous years, we would like to record our sincere thanks to the Celtic Charity Fund Raising Action Group members Martin Super and Charles Barnett for their superb efforts throughout 2006/07. After eleven years fantastic service, Martin has now resigned from the group and we offer him and his family our very best wishes

Our thanks also to the Trustees, Celtic's Public Relations Department and the many volunteers who have worked tirelessly to ensure the continued success of Celtic Charity Fund and the maintenance of the Club's charitable principles

Individual charitable donations, without doubt, make a genuine difference but if we pool our resources and make cumulative contributions on behalf of the Celtic Family, together we can generate a huge impact

It is our Charity Fund – the whole of the Celtic Family – from the Directors and shareholders of the Club, to players, to other staff, to supporters, to sponsors, to partners, so everyone should have the opportunity to get involved and take greater ownership

We have a formidable and much admired reputation for helping those less fortunate, so please help us to continue this vital work, which lies at the heart of our Club

If you wish to support Celtic Charity Fund, please send your donation to

Jane Maguire  
Celtic Charity Fund  
Celtic Football Club  
GLASGOW  
G40 3RE