

# Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2011



**Celtic plc**  
**ANNUAL REPORT**  
**YEAR ENDED 30 JUNE 2011**

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## **SUMMARY OF THE RESULTS**

### **Operational and Financial Highlights**

- Winners of the SFA Scottish Cup.
- Runners up in the SPL and League Cup.
- Appointment of Neil Lennon as Celtic football manager.
- Two home European matches (2010: 5).
- Group revenue £52.56m (2010: £61.72m).
- Investment in football personnel of £10.29m (2010: £13.64m).
- 51 international players between U15 and senior levels.
- Year-end net bank debt of £0.53m (2010: £5.85m).
- Profit before taxation of £0.10m (2010: £2.13m loss).
- Operating expenses before exceptional items £52.50m (2010: £57.25m).
- Profit from trading before asset transactions and exceptional items of £56,000 (2010: £4.46m).
- Exceptional costs of £3.99m (2010: £3.14m)

# Celtic plc

## ANNUAL REPORT

### YEAR ENDED 30 JUNE 2011

#### DIRECTORS, OFFICERS AND ADVISERS

##### Directors

Dr John Reid (Chairman)  
Thomas E Allison\*§  
Ian P Bankier \*  
Dermot F Desmond\*  
Brian Duffy\*  
Peter T Lawwell (Chief Executive)  
Ian P Livingston\*  
Eric J Riley (Financial Director)  
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

Neil Lennon

##### Auditors

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

##### Solicitors

DLA Piper LLP  
249 West George Street  
Glasgow, G2 4RB

##### Bankers

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

##### Remuneration Committee

Thomas E Allison (Chairman)  
Brian Duffy  
Dr John Reid  
Brian D H Wilson

##### Audit Committee

Ian P Livingston (Chairman)  
Brian Duffy  
Dermot F Desmond  
Brian D H Wilson

##### Nomination Committee

Dr John Reid (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

This annual statement, my last as Chairman, provides the opportunity to reflect on a year of major transition and substantial progress on the pitch, consolidation and stability within the business and the return of a solidarity between the team, the Club and its supporters. These took us to victory in the Scottish Cup and within a whisker of the SPL title.

As indicated in my interim report, the past year was not without its challenges. Football was not any more immune from the recession than any other activity. Our participation in Europe was short-lived, playing only 2 home games rather than the 5 of the preceding year. Those challenging economic conditions and the poor football performance in season 2009/10 undoubtedly had a detrimental effect on our revenues. Turnover decreased by 14.8% to £52.56m, affected by the reduction in European matches and the ticket and broadcasting revenues that they generate, and a decline in merchandising sales in a difficult retail market.

Against this background the achievements of everyone at the Club - management, staff and our faithful supporters - appear even more outstanding. To achieve and maintain financial stability, and attain a very manageable debt position, while continuing to invest significantly in strengthening the football squad and generate profit in the football sector in Scotland in these conditions is highly commendable. And yet as our Annual Report shows, as a result of these efforts and our activity in the transfer market we managed to turn last year's loss into break-even, to reduce our debt considerably and still invest a substantial amount in new players.

Operating expenses were reduced again, by £4.75m to £52.51m reflecting lower match and travel costs, reduced cost of sales and smaller labour costs.

Our profit on ordinary activities before taxation of £102,000 is small, but a significant improvement on the loss of £2.13m for the same measure the year before.

Our year end net bank debt – being all our bank borrowings offset by cash - of £530,000 is massively down on the half-year figure we reported (£9.09m) and substantially down on the £5.85m at 30 June 2010. Both of these higher debt figures, sanctioned by the Board in order to finance player investment for the incoming new management team, and the subsequent reduction in debt levels were planned as part of our maintenance of financial stability and the independence that comes with it.

With a significant investment in football personnel of £10.29m our commitment to achieving domestic success and meaningful participation in Europe remains. In previous Annual Reports I have stressed the need for Celtic to develop first class scouting and youth development to compensate for the lack of lucrative TV income. Our investments in developing these are now beginning to pay dividends. The depth of talent now within the squad demonstrates the strength of our scouting. Our youth development operation also continues to improve and will play an increasingly important role in helping to refresh the first team player pool.

Last season saw progress on the park. Full credit must go to Neil, Johan, Alan, Garry and the rest of the management team. They deservedly returned silverware in the Scottish Cup, and narrowly missed out in the League Cup Final. One point - indeed at the end of the day one goal - separated us from the League title and the double. Our shared disappointment is only partly mitigated by a recognition that 92 league points was our highest tally since season 2003/2004 and would have been sufficient to win the league in each season since 2005/2006.

And while we naturally concentrate on our first team fortunes, let's also remember the achievements of our younger players who are the seed corn of the future. The U-19s won their league and the Scottish Youth Cup Final, with the U17s winning the prestigious Glasgow Cup. 29 of our players in the 15 to 19 age groups are internationalists. The Girls' Academy has more than matched these successes, including victory in the Scottish Women's Football League Division One, championship and cup wins for other girls' teams and senior team success in the Premier League Cup and Football League Cup.

It's often said that Celtic is more than a Football Club. We must never lose sight of why the Club was founded. The Celtic Foundation acts as a vehicle to deliver our community programmes covering not only football coaching for children, youths and adults but running specialist projects with important social dimensions. These are at a higher level than at any time in the Foundation's history. The very ethos of the Club continues to flow strongly through that work.

# Celtic plc

## CHAIRMAN'S STATEMENT

Football at Celtic is many things, but being dull is not one of them. Events during the year, particularly off the field, started at a remarkable pace and after only the briefest of respites from terrible winter weather, accelerated into one of the most extraordinary series of occurrences in Scottish football for many years.

The first half of this year culminated in significant reform within the SFA being announced, with Scottish football clubs later unanimously approving proposals for improved transparency and accountability, and introducing a better and fairer framework for handling disputes and disciplinary matters. As a club which has been at the forefront of the movement for change we welcome these developments. Of course they will now have to be tested in practice, but we will continue to encourage and support the implementation of the reformed structures. Our Chief Executive's appointment to the Professional Game Board is testimony to our commitment in that direction.

The Scottish Premier League also continues to consider major restructuring, although an outcome from those deliberations is some way off. We should not under-estimate the challenges of developing a sustainable financial model for Scottish football; radical thinking is as appropriate here as it was for the SFA.

Issues over sectarianism, violence, domestic abuse and alcohol misuse continue to plague Scottish society and in the Spring of this year the Scottish Government and authorities sought football's help in tackling these problems. We have participated actively in the Joint Action Group process and hope that the significant time and effort we have devoted will bear a positive dividend in future, but there will be no quick fix or easy solution.

New legislation designed to outlaw offensive behaviour connected with football, and the sort of threatening communications that our manager was subjected to, is also likely to be introduced to supplement existing powers. We welcome the expressed intention of the Scottish Government and authorities to tackle extremes of behaviour, and the small minority who continue to tarnish the reputation of our country and our football but also wish to see that the new legislation and any action taken to enforce it is carefully considered, applied fairly and is a proportionate response to the seriousness of the problems encountered.

Against this backdrop I must acknowledge the remarkable strength and character of Neil Lennon. At Celtic our expectations of a manager are so high that it is easy to overlook just how challenging that job is. In his first full season as a manager Neil has succeeded in restoring a pride and passion to our play, showcasing emerging talent and uniting our supporters. To do that in any normal environment would be a major achievement but to have done it in the deplorable context of death threats, a physical assault and explosive devices, was nothing short of extraordinary. The commitment Neil and his family have shown this season, and that accorded to him by fans, is what makes this Club truly special. I thank you all.

As I hand over the Chairmanship at the AGM I must pay tribute to my fellow Directors for their support and guidance throughout my tenure here, and to the Club's employees, who work, largely unheralded and unsung to make sure that the experience of our team's football at Celtic Park and elsewhere remains a safe and enjoyable one. They have gone well beyond the call of duty and been unfailingly committed and courteous in the assistance they have provided.

And finally, to our fans. I have had occasion in the past to pay tribute to the uniqueness of Celtic supporters. Even as I write this year's Chairman's Statement, over 55,000 Celtic fans have turned out for a mid-week Charity Match to raise money for the victims of the East Africa Famine. Few other, if any, football clubs would have seen such a huge response. This year they have already contributed over £387,000 to charitable causes. Their support for the Club has been just as outstanding. Loyalty and Solidarity are not items that appear in the columns of our annual accounts. They do not show up on a balance sheet. But they are an invaluable asset, the very lifeblood of a club like Celtic. Last year our supporters came together, and stayed together through a period of immense controversy and difficulty. They were a source of unwavering support and inspiration to everyone at the Club, from the Boardroom to the Dressing Room. No one who was present at the last league game of the season, who saw the sheer determination, even in adversity, to celebrate being part of what Celtic is, can doubt that.

It has been my honour and privilege to have served you and this Club and to have chaired its Board over the last four years. I am confident that with a talented young team and manager, the guidance of highly experienced directors, and above all your continuing support, Celtic Football Club will continue to be a vibrant and unique football club.

**Dr John Reid**  
**Chairman**

**15 August 2011**

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

### INTRODUCTION

Whilst season 2010/11 was one of transition, there were encouraging signs of progress on the pitch. We won the Scottish Cup for the first time since 2007, but finished second in the Clydesdale Bank Premier League by one point, and lost in the final of the CIS Cup.

Neil Lennon was appointed interim manager in April 2010 and following eight successive SPL victories he was formally appointed Football Manager in July 2010 with a backroom staff comprising Alan Thompson, Johann Mjallby and Garry Parker. Though Celtic's early season domestic form was encouraging, results in Europe were disappointing and, following defeat by Utrecht, Celtic failed to qualify for the Europa League group stage.

In the long term we continue to aspire to participate in a more rewarding football environment, financially, commercially and competitively but our first priority is to succeed domestically and participate at the highest level in the existing European club competitions.

### FOOTBALL INVESTMENT

Celtic wishes to return to the success achieved in prior years. It is therefore imperative that we attain domestic success and continue the process of restoring the Club as a credible force in Europe.

There were many changes to the playing squad during the 2010/11 season with £10.29m being invested in football personnel. The funds achieved from the sale of players, particularly homegrown players such as McGeady and McManus, together with the cash generated from trading, helped fund the acquisition of new players. A number of players were brought in bringing a blend of youth and experience to the squad, while a number of others progressed from the youth academy. In addition, a number of other first team and development squad members spent the season on loan to other clubs to gain valuable experience. The average age of the first team squad has reduced but we believe the quality of the squad has been enhanced.

Wage and transfer fee inflation at the highest level continues to rise. The gap with major European nations widens and thus the relative cost of attracting quality new players increases. As such, the emphasis on careful and patient use of our financial resources will continue to characterise our efforts to strengthen the first team squad and a number of initiatives continue to be progressed to that end.

The training facility at Lennoxton, which opened in October 2007, has provided Celtic with a Centre of Excellence for creating and developing Champions League quality players. The benefits of such a facility are self-evident and will help ensure that players are recruited and developed in the most efficient and cost-effective way possible. This approach to our business is reflected in the sizeable profits generated from the sale of players reported in recent years.

We are creating a world class scouting system, which will enhance player identification and recruitment at all levels including the introduction of more sophisticated player monitoring and assessment procedures. The expanded scouting team should yield dividends in the form of new players at a reasonable cost from the UK and abroad, which has been demonstrated recently with the acquisitions of Hooper, Izaguirre and Kayal amongst others.

We aim to employ and retain the highest quality coaches to ensure all players are given every opportunity to develop. There has also been further investment in systems and resources to provide a comprehensive database and advanced performance analysis of existing players and new recruits. In addition, we have maintained our investment in the sports science and medical teams to ensure the best possible medical and nutritional advice.

Planned acquisitions and sales of player registrations and the development of younger players are integral parts of our longer-term strategy to control costs. The progress achieved in maintaining the base football labour costs at an acceptable level is planned to continue in the coming season.

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## CHIEF EXECUTIVE'S REVIEW

### FINANCIAL PERFORMANCE

Much of the football sector continues to struggle financially. A number of clubs remain heavily in debt and incurring ongoing losses. This was exacerbated in Scotland by the collapse of Setanta, resulting in a reduction in media values from the replacement agreements with Sky and ESPN. Conversely, the lucrative television deals secured by the English Premier League have resulted in higher transfer fees and wages in England.

In the year to 30 June 2011 turnover was £52.56m, which is a reduction of £9.16m, 14.80% against the previous year, having played 24 home matches in comparison to 27 in 2009/10. Much of this is due to the lack of progression in the Europa League together with reduced season ticket and merchandising revenues.

In the year to 30 June 2011 total operating expenses, excluding exceptional costs, reduced in comparison to the previous year by £4.75m, 8.30% to £52.50m. This is largely as a result of a reduction in labour costs, cost of sales, travel, advertising and match day costs from playing three fewer home matches.

Following the end of the season, a review of the playing squad was carried out which resulted in a write-down in the carrying value of a number of members of the first team squad. As a result exceptional operating expenses of £3.99m (2010: £3.14m) are reported in the year represented by £0.81m of labour costs and £3.18m in respect of impairment to intangible fixed assets. Further details of the impairment are provided in Note 16 to the Financial Statements.

As a result of the above, the Company achieved a retained profit for the year to 30 June 2011 of £0.10m which compares with the previous year's loss of £2.13m.

The initiative of heavily discounted season tickets for children has been continued to secure the Celtic support of the future and has been well received. In addition, Celtic will continue to benefit from its existing partner income streams from first class companies such as Nike, Tennents, Kitbag, MBNA and Thomas Cook.

### FOOTBALL OPERATIONS

During season 2010/11 the Club played 52 competitive first team matches, winning 36, drawing 9 and losing 7.

The Scottish Premier League did not operate a Reserve league in season 2010/11. Given the above, it was decided that the first team player pool would incorporate players previously classified as reserve team players into a development squad. This provided the Club with an excellent opportunity to develop and train such players by organizing and playing matches with top sides in both England and Scotland on a regular basis, both home and away.

The Girls' Academy and women's senior teams are the most sought after female programme in the country for female footballers. The progress made has been outstanding with successes at all levels, including winning the Scottish Women's Football League Division One, and championship and cup successes for all our girls' teams. The latest successes for the senior teams have been winning the Premier League Cup and Football League Cup.

### YOUTH ACADEMY

Season 2010/11 was the most successful in years for Celtic's Youth Academy.

Although most of our squads do not play in competitive football, we played for 3 domestic trophies, with the 19s winning the League before beating Rangers in the Scottish Youth Cup Final, and our 17s winning the Glasgow Cup, again beating our greatest rivals in the final. In addition, all of our squads from under 11s to under 17s performed exceptionally well in their respective development leagues.

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## CHIEF EXECUTIVE'S REVIEW

The main stated aim is to produce players who are capable of playing at the highest level in the UEFA Champions League. Last season a number of young players made the progression from the Academy to the first team, most notably James Forrest. An indicator of our success is that we have currently 51 international players, 29 of those across the 15 to 19 age groups.

As we aim to develop players who can play at the highest level, it is important that we can measure ourselves against the best in Europe. All of our age groups have played in at least one European tournament against top class opposition, including Barcelona, Bayern Munich, Ajax, Milan and Spurs at various age groups. Last season we won the Aberdeen International Festival (17s), the Foyle Cup (15s) and our 14s won the ITEA Tournament in Belgium.

### TICKET SALES

Season 2010/2011 was once again a challenging season for ticket sales, although there was a measure of success with approximately 42,500 standard season tickets sold for a value of circa £13.6m.

Match ticket sales of over 166,000 generated an income of over £3.5m, which included three domestic cup-ties contested against Rangers.

### CELTIC DEVELOPMENT

Around £680,000 was donated to Celtic Football Club's Development Division from Celtic Development Pools for the purposes of youth development, whilst supporters from all over the country won approximately £800,000 in prize money.

The weekly Celtic Pool lottery continues to out perform most football club and charitable lottery products in this challenging environment, continuing the substantial donation again this year. We are grateful to the Directors and staff of that organisation for their continued support.

The Paradise Windfall match day lottery continues to be very popular, with a top prize of £15,000 on offer this new season. Prize money of approximately £2.4 million has now been paid out to Celtic supporters on the pitch at Celtic Park since the start of the Windfall in 1995.

### CELTIC FOUNDATION

The Celtic Foundation continues to support the Club's social dimension linked to the reasons Brother Walfrid founded Celtic in 1888.

The Celtic Foundation continues to integrate a number of very successful project areas with new business ideas and incorporates the following key strands:

- Working with Celtic Charity Fund
- Celtic learning programmes and the Celtic Learning Centre
- Football in the community and community coaching programmes in both domestic and international markets
- A Community Academy aimed at children, youths and adults
- Celtic girls' community programme and Girls' Academy
- Celtic women's First Team and Reserves
- 'Sport for Life' programmes

The Club is also delighted to have the support of Billy Connolly as Patron of the Celtic Foundation and Elaine C. Smith as Patron on the Celtic women's and girls' programme.

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

In addition the Foundation has a number of specialist projects which focus on:

- Health and wellbeing
- Education
- Social inclusion
- Unemployment

The Celtic Foundation has again demonstrated through a number of project evaluations (internal and external) its ability to deliver improvement whilst tackling the social inequalities which children, youths and adults encounter in Glasgow.

The acknowledgement and endorsements made by our partners is testament to the work the Foundation is doing.

Celtic is fully committed to the continuation of The Celtic Foundation and its charitable, educational and community work and has invested substantially in the infrastructure and programme delivery. The Celtic Foundation plays a key role in the Club's social dimension and ethos. In fact, over the past twelve months the Club has been involved in more charitable, educational community activities than at any time in its history.

### **MERCHANDISING**

Merchandising revenue for the year reached £14.33m, 7.5% down on the previous year mainly due to the challenging economic conditions and the production difficulties encountered with the launch of the new home kit. Home and Away kits were launched at the start of the year and a Third kit was launched in June 2011. A new Away kit is planned to be launched in August 2011.

The Young Hoops fan club aimed at children up to the age of 14 continues to be a success, building a strong fan base for the future. In season 2010/11 membership numbers were up 6% on the prior year.

We continue to expand our Heritage clothing range which incorporates more subtle branding and this has proven to be a big success this year.

The Glasgow Airport store will relocate to a new high profile land-side position in August 2011.

### **MULTI MEDIA**

Channel 67 is being re-launched in 2011 as Celtic TV. The new service will offer supporter interaction and will be multi-platform, making it available on many portable devices and Apple Mac computers.

The official Club website, [Celticfc.net](http://Celticfc.net), was re-launched last autumn, offering more functionality to supporters. The Club also launched an official Facebook page in January and has over a hundred thousand 'likes' to date.

### **PUBLIC RELATIONS**

Once again, the Club experienced a high level of media interest and activity throughout the year across domestic and European football.

The Club's PR Department continued to achieve and manage a substantial level of high profile media coverage for a range of Club activities at a national level in 2010/11, including commercial, charitable and community events.

The PR Department also acts as an important liaison between the Club and supporters' organisations, assisting with supporter enquiries and requirements.

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

In addition, the Department liaises directly with a number of organisations to ensure that through a range of initiatives the Club upholds its important social dimension.

### BRAND PROTECTION

The Club continued to protect the Celtic brand worldwide to prevent unauthorised use by third parties, to ensure that the brand remains a valuable Club asset and to protect our supporters from substandard goods and services.

Last season alone, the availability of counterfeit goods to the value of approximately £6m was disrupted and a number of websites found to be offering unofficial Celtic goods and services removed.

The Club will continue to work closely with key partners including NIKE, to protect the value and global profile of the Celtic brand, as well as the interests of our supporters.

### PARTNER PROGRAMME

After 7 years with Carling, the Club appointed Tennent's as shirt sponsor until the end of season 2013/14. We have had a strong first year with promotions centred around a 'Could Have Been a Player' marketing campaign, which the brand is keen to grow going forward.

We also welcomed Audi to the Club in season 2010/11 with Lomond Audi as the Club's new car supplier and sponsor. This agreement will continue for season 2011/12.

The Club was able to conclude an agreement with Irish Betting Exchange, Betdaq, for seasons 2010/11 and 2011/12 as our online betting partner, and we have completed a sponsorship agreement with Super Engage to participate in a new competitions-based website - [isuperfan.com](http://isuperfan.com) - which offers prizes for fans.

The Club secured an agreement with Sports Revolution to become an advertising partner on a 2-year term. Primarily this will focus on LED advertising and additional in-stadia locations.

In an exciting departure, the Club secured a 3-year agreement with the Mahindra Group to assist them with the implementation of a grassroots football tournament across India. The first year of the tournament is due to conclude in August with 3 young Indian players coming to Glasgow for a week-long Academy experience. Initial feedback from Mahindra has been excellent and both parties are looking to grow on the initial success.

The Club has entered into a co-operation arrangement with Mexican premier league team Santos Laguna whereby both parties will work together to identify mutual football and commercial opportunities. The commercial activity is likely to centre around North America.

The sponsorship environment remains extremely tough as the on-going economic difficulties impact upon companies' advertising and marketing budgets. However, the Club has begun to see some encouraging signs for the forthcoming season with several new agreements for the start of season 2011/12 concluded recently. This includes a partnership with Innovation Communications to create a Celtic mobile phone offering and an agreement with 888Poker. The Club will continue to pursue partners domestically and internationally to enhance revenues for the Club and provide good affinity products for our supporters.

### STADIUM

During the course of the year, Celtic continued to enhance the close liaison and valuable partnership working with Glasgow City Council Safety Team for Sports Grounds.

The training of colleagues responsible for public safety duties continued to be developed. In addition to those responsible for the management of spectator safety being fully qualified and accredited in compliance with the

# **Celtic plc**

## **CHIEF EXECUTIVE'S REVIEW**

Guide to Safety at Sports Grounds, the training of safety stewards continued to be prioritised. Protectevent stewards now participate in an accredited training programme leading to an SVQ Level 2 in Event Stewarding. In addition, the Club continued to provide an input to the Match Commanders' training programme, held at the Scottish Police College and remain heavily involved with the work of the Football Safety Officers Association Scotland.

During the year, the Club was required to meet significant and unique challenges regarding threats to the safety of our Manager and individual players. This situation was managed with the close working relationship developed with Strathclyde Police and other key partners. The professionalism and support provided by Strathclyde Police during this period was of the highest standard and worthy of recognition.

The Club will continue to place the safety of our supporters, staff and players as our highest priority.

### **FACILITIES**

The Facilities department managed to control costs effectively without compromising high standards throughout the stadium. Activities included major roof repairs, installation and upgrade of fire protection systems, repairs to the surface of the stadium car park and external footprint and decoration of concourse areas. Continued streamlining of procedures has resulted in significant improvements in efficiency and cost reduction and the introduction of enhanced procedural controls.

With an Information, Communications and Technology infrastructure in place, 2010/11 presented an opportunity to review contracts, systems, infrastructure and costs to ensure value for money. This resulted in significant ongoing savings and efficiencies whilst ensuring consistent levels of services.

During one of the worst winters for years, our Grounds Staff managed to maintain a high quality playing surface, aided by our SGL grass growing lighting system. Construction of a new training pitch at Lennoxtown went to schedule, within budget and is now in use. In November, our Head Groundsman John Hayes and his team received recognition awards for Turf Professional of the year and SPL Pitch of the Year.

### **CATERING AND CORPORATE HOSPITALITY**

Corporate Hospitality performed very well and Celtic achieved special recognition at the official national football hospitality awards where we were overall winner for match day experience in Britain and retained the award of overall winner for Scotland.

Visitor Centre business was affected by the adverse weather conditions during the winter, though latterly there has been a significant improvement in numbers and we continue to attract visitors from all over the world.

### **SUPPORTER RELATIONS**

Our Customer Relationship Management (CRM) system continues to bring supporter information from many different business areas into one database, and is used to support both the Club's marketing activities and those of our sponsors in a targeted, cost-effective manner.

Liaison with the Club's supporters groups continued throughout the year with regular communications issued by the Club and a number of roadshows held in various locations throughout the UK and Ireland with the football manager.

The number of supporters' details held in the database has continued to grow, with a 22% increase in contacts over the year.

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## CHIEF EXECUTIVE'S REVIEW

We continue to look for ways in which the CRM system can be developed to make further use of the functionality available, such as online surveys to provide additional information to assist managers across the business, whilst ensuring value for money is being obtained.

### CELTIC CHARITY FUND

Celtic Charity Fund again enjoyed a highly successful year, raising hundreds of thousands of pounds for a range of worthy causes. Fundraising activities included the Club Couture Fashion Show, a Charity Abseil, the Celtic Charity Cup, 'Hoops in Your Heart' Badge Day and our Annual Sporting Dinner.

The Charity Fund's total financial contribution to charitable causes in 2010/11 was £378,671.

### HUMAN RESOURCES

Despite a difficult economic climate, we remain committed to being an employer of choice. We continue to invest in training and development and last year launched a self-learning portal for Celtic managers and colleagues. Remuneration and benefits are regularly reviewed and benchmarked, and employee welfare remains an important consideration. Recruitment and induction processes continue to be refined and improved, whilst all Celtic colleagues have access to a free Employee Assistance Programme and a comprehensive voluntary benefits package. In the last 12 months these benefits have been enhanced by the inclusion of childcare vouchers.

In August 2010 we conducted an employee opinions survey, which provided some very useful feedback. This enabled us to implement a comprehensive plan of action designed to improve employee engagement.

In December 2010 we were re-assessed by Investors in People Scotland and successfully retained our prestigious accreditation. Celtic remains the only Scottish Premier League club to hold this award, having originally been recognised in 2007.

In February 2011 Celtic was again awarded the "Positive about Disabled People" symbol by Job Centre Plus for the sixth successive year, reflecting the fact that we continue to meet our commitments to colleagues and job applicants with a disability.

Celtic also continues to hold "Tommy's" accreditation, which is recognition of the Company's good-practice policies in respect of pregnant employees.

Another 32 pupils from local schools enjoyed a week of structured work experience at Celtic Park during the year. This is a highly successful ongoing programme, which has received plaudits from pupils, parents and the education authorities.

Celtic has also participated in the Future Jobs Fund initiative, promoted by the Scottish Premier League, and has provided temporary employment opportunities to nearly 100 people during the financial year, some of whom have already secured permanent roles.

The hard work and contribution of all colleagues in another busy and difficult year is greatly appreciated.

### SUMMARY AND OUTLOOK

Results on the pitch continue to be the major influence on trading performance. Our failure to recapture the Scottish Premier League title last year, and its impact on European qualification, again had a detrimental effect on our performance in 2010/11. Nevertheless, sensible cost management and effective financial controls, in

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## **CHIEF EXECUTIVE'S REVIEW**

addition to the gains reported from the disposal of player registrations, mitigated the negative impact, resulting in reasonable financial results.

Revenues generated by progress in European competitions remain of major significance and provide greater flexibility when considering player investment.

Our 5 Year Plan recognises the need to compete successfully in the Scottish Premier League, the winners of which in 2011/12 will gain entry to qualifying game 3 for the group stage of the 2012/13 UEFA Champions League.

Overall the key Company objective remains football success, as this will greatly assist revenue generation. However the funding of that success must clearly recognise the financial constraints applicable to the organisation, particularly as Celtic continues to play in the Scottish football environment and the challenges that such an environment present. The development of a greater number of internally generated players through continued investment in youth development and scouting facilities will assist in addressing such issues. As a result the profitable sale of player registrations is important in addition to any incremental contribution from European progression.

Once again, the biggest challenge facing the Board is the management of salary and transfer costs whilst achieving playing success in order to yield satisfactory financial results. Clearly, European progression remains key in enabling the Club to achieve its financial objectives.

**Peter Lawwell**  
**Chief Executive**

**15 August 2011**

# Celtic plc

## FINANCIAL REVIEW

### BASIS OF PREPARATION AND ACCOUNTING POLICIES

As with last year, Celtic's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The segmental reporting under IFRS is noted at Note 3 to the Financial Statements, is consistent with last year and identifies 3 key business segments: Football and Stadium Operations; Merchandising and Multimedia and Other Commercial Activities.

The basis of preparation and details of the main accounting policies adopted by the Group are disclosed in Notes 1 and 2 to the Financial Statements. These policies have been consistently applied to both years presented.

### FINANCIAL RESULTS

Celtic's financial results for the year to 30 June 2011 report an improvement in comparison to the previous year with an uplift in profitability and reduction in bank debt which is pleasing given the wider economic climate which continues to be difficult.

The Group's reported profit of £0.1m is up on the previous year's loss of £2.13m due largely to a reduced profit from trading being more than offset by an increased contribution from the disposal of player registrations. The year on year reduction in profit from trading is largely a result of a lower contribution from participation in European competition and lower revenues in most categories of income. Profitable sales of player registrations, which is an increasingly important aspect of our business model, and close control of operating expenses continue to be helpful measures which can be used to assist trading performance to counteract the impact the credit crunch has had on declining mature revenue streams such as match day ticketing, financial partners and merchandising revenues.

Group revenue reduced by £9.16m, 14.8% to £52.56m having played 24 home matches in comparison to 27 last year. Total operating expenses have reduced over last year by £4.75m, 8.3%, to £52.50m.

As a result profit from trading before asset transactions and exceptional items of £56,000 compares with £4.46m last year. The retained profit for the year after exceptional operating expenses, amortisation of intangible assets, gain on disposal of property, plant and equipment, gain on disposal of intangible assets, interest and tax amounted to £0.1m in comparison to a loss of £2.13m in 2010.

### REVENUE

A summary of revenue per business segment is set out in Notes 3 and 4 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 revenue in comparison to last year are noted below.

Income from football and stadium operations reduced by £4.52m, 12.7%, to £30.97m mainly as a result of playing three fewer home games and lower seasonal and match day ticket sales partially offset by a share of the revenue from the three domestic cup matches against Rangers and an increase in catering and community revenue.

Merchandising reported a fall in turnover of £1.17m, 7.5% to £14.33m largely as a result of the production difficulties with the new home strip and all stock being recalled until the relaunch of the new strip in mid December 2010. In addition the retail market in the current year has been very competitive, with wholesale income also down on last year.

Multimedia and other commercial activities revenue has declined by £3.47m, 32.4%, to £7.24m largely as a result of playing 2 home European games in comparison to 5 the previous season including the lucrative Champions League qualification match against Arsenal, reduced publishing and partner income.

### OPERATING EXPENSES

Total operating expenses have reduced over last year by £4.75m, 8.3% to £52.50m predominantly due to a reduction in cost of sales, labour, maintenance and lower match day costs from playing 3 fewer home games this season together with reduced travel and accommodation costs from 3 fewer European trips offset by an increase in rent and rates and certain other overheads.

Total wage costs decreased by £3.82m, 10.5%, to £32.66m largely due to reduced labour costs in football and youth development over last year. The reduction in football wage costs from last year is mainly due to decreases to core salary costs following the changes in playing personnel during the season and lower bonus payments.

# Celtic plc

## FINANCIAL REVIEW

The ratio of the total labour cost to turnover at 62.1% has increased from the 59.1% of last year. This ratio, which incorporates the income generated from European progression, compares with an average of 68% recently reported for the English Premiership in Season 2009/10. Wage inflation is an area of concern throughout the worldwide football industry which will need to be carefully controlled. The Board recognises the need to maintain strict control of wage costs and this will continue to be closely monitored. While the collapse of Setanta in 2009 has resulted in reduced television revenues being generated by the Scottish Premier League, Celtic plans to achieve a managed ratio between revenue and labour costs against a backdrop of enhanced television contracts agreed in England. Ongoing financial controls remain in place to ensure that labour costs are maintained at a manageable level, particularly in relation to revenues.

### EXCEPTIONAL OPERATING EXPENSES

Exceptional operating expenses of £3.99m (2010: £3.14m) reflect a provision for impairment to intangible assets of £3.18m (2010: £1.42m) and £0.81m (2010: £1.72m) in respect of labour costs largely arising as a result of onerous contracts.

### AMORTISATION OF INTANGIBLE ASSETS

Total amortisation costs at £8.15m represent a reduction of £195,000, 2.3% in comparison to the previous year, mainly as a result of the charge for the players that signed for Celtic just prior to or during the 2010/11 season including Hooper, Izaguirre, Juarez, Kayal, Murphy, Stokes, Ljunberg and Commons offset by the players and management that left during or following the end of 2009/10 season, including Boruc, Fortune, Mizuno and Crosas together with the reduction arising from the contract extensions in respect of Samaras, Wilson and McCourt.

### PROFIT ON DISPOSAL OF INTANGIBLE ASSETS

The gain on sale of £13.23m largely reflects the sale of McGeady, McManus, Boruc, Fortune and Mizuno in comparison to the £5.71m last year mainly from the sale of McDonald, Caldwell, Robson, Donati, Fox and Cuthbert.

### LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

The loss on disposal of property, plant and equipment in the year of £0.31m mainly reflects the write down of the stadium big screens to a net book value of nil together with the disposal of the fixtures and fittings in the Braehead store. The loss on disposal of £0.10m the previous year was largely as a result of the disposal of the fixtures and fittings in the Old Clydebank store together with the replacement of outdated IT equipment.

### FINANCE COSTS

The finance costs charge for the year to 30 June 2011 of £0.72m (2010: £0.71m) reflects interest due on the Company's borrowing facilities with the Co-operative Bank together with the classification of Preference Share dividends as interest as required by IFRS.

### TAXATION PROVISION

No provision for Corporation Tax is required in respect of the year ended 30 June 2011. The provisional tax computation for accounts purposes provides tax losses carried forward of approximately £27m (2010: £26m) and an available capital allowances pool of approximately £14.55m (2010: £17.1m) as at 30 June 2011.

The value of the deferred tax asset not reflected in the Financial Statements of the Group was £6.90m (2010: £7.20m), which will be recoverable to the extent of future taxable profits of the Group.

### PROPERTY, PLANT AND EQUIPMENT

The additions to property, plant and equipment in the period of £0.90m are represented mainly by the Jock Stein statue, work on the new pitch at Lennoxton, additional sports science gym equipment, safety improvements to the stadium, new multi-media and scouting offices and further enhancements to information technology equipment.

### INTANGIBLE ASSETS

The decrease in the net book value of intangible assets from 30 June 2010 of £3.41m to £10.36m reflects the investment in the playing squad of £10.29m less the amortisation charge of £8.16m, an impairment provision of £3.18m and the net book value of disposals of £2.36m. The investment in the playing squad is largely represented by the acquisition of Hooper, Izaguirre, Juarez, Kayal, Murphy, Stokes, Ljunberg and Commons during the football season. However, additional capital instalments were also paid in respect of existing players.

# Celtic plc

## FINANCIAL REVIEW

### INVENTORIES

The level of stockholding at 30 June 2011 of £2.25m has increased in comparison with the £1.78m reported last year as a result of the international kit being launched in June this year compared to the home kit launch in July last year.

### RECEIVABLES

The reduction in the level of receivables from 30 June 2010 of £1.01m to £5.84m is primarily a result of a decline in amounts receivable in respect of player transactions.

### NON-CURRENT LIABILITIES

The reduction in non-current liabilities from 30 June 2010 of £0.41m to £15.55m is largely as a result of a decrease in the term loan and also in deferred income due after more than one year.

### CURRENT LIABILITIES

The decrease in trade and other payables from 30 June 2010 of £0.16m to £15.82m mainly reflects a reduction in amounts payable in respect of player transfers partially offset by an increase in accrued expenditure.

### DEFERRED INCOME LESS THAN ONE YEAR

The decrease in deferred income of £42,000 from 30 June 2010 to £11.75m largely reflects the cash received prior to 30 June 2011 in respect of the financial year ended 30 June 2012.

### NET ASSETS AND FUNDING

Celtic has adopted IFRS, which require elements of the Preference Shares and the Convertible Preferred Ordinary Shares to be classified as debt and non-equity dividends to be classified as interest. The effect of this classification is to reduce reported net assets by £4.44m to £40m and increase reported debt by £4.44m to £5.10m were these shares accounted for in line with their legal form.

Net debt, excluding the reallocation from equity under IFRS, at 30 June 2011 is £0.66m (2010: £5.99m) and includes all bank borrowings and other loans offset by cash at bank and in hand. The decrease from 30 June 2010 is principally as a result of the cash generated from trading and the disposal of player registrations in the 12 months to 30 June 2011 being offset by capital expenditure in respect of tangible asset additions and instalments paid in respect of player acquisitions, including instalments due in respect of prior period purchases, together with dividend and interest payments.

The Group has internal procedures in place to ensure efficient cash flow 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 20, 21, 25, 26, 27, and 28 to the Financial Statements.

**Eric J Riley**  
Financial Director

**15 August 2011**

# Celtic plc

## DIRECTORS' REPORT

The Directors present their Report together with the audited Financial Statements for the year ended 30 June 2011.

### PRINCIPAL ACTIVITIES

The principal activity of the Group is the operation of a professional football club, with related and ancillary activities. The principal activity of the Company is to control and manage the main assets of the business whilst the majority of operating activity is carried out by the subsidiary, Celtic F.C. Limited. As a result, both of these companies are managed and controlled as a single entity in order to achieve the objectives of the Group.

### RESULTS AND DIVIDENDS

Group revenue is reported as £52.56m compared with £61.72m in 2010. Operating expenses of £52.50m result in a profit from trading before asset transactions and exceptional items of £0.06m (2010: £4.46m). The profit before taxation amounted to £0.10m (2010: £2.13m loss).

Dividends will be paid in cash on 31 August 2011 to those Preference Shareholders not participating in the scrip dividend reinvestment scheme.

The record date for the purpose of the Preference Share dividend is 29 July 2011.

Mandates representing 1,411,129 Preference Shares are in place for the scrip dividend reinvestment scheme. Approximately £45,720 (2010: £41,056) of dividends for the financial year to 30 June 2011 will be reinvested. 90,255 new Ordinary Shares were issued under the scheme in September 2010.

New Ordinary Shares due under the scheme during the current financial year will be allotted on 31 August 2011, with certificates and tax vouchers despatched shortly after that. The scrip scheme was extended at the AGM in October 2009 until 29 October 2014.

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

The profit of £0.10m has been taken to reserves.

### BUSINESS REVIEW AND FUTURE DEVELOPMENTS

As the Company and its principal subsidiary are managed and controlled as a single entity, the review of business and future developments, which is set out in the Chief Executive's Review and the Financial Review, reflects the performance of the Group. A separate review of the Company would not be meaningful and is therefore not presented.

### EVENTS SINCE THE YEAR END

Since 30 June 2011, Celtic has acquired the registrations of Adam Matthews and Victor Wanyama and has loaned the registrations of Efrain Juarez and Niall McGinn.

### SHARE CAPITAL

Details of and changes to the Company's authorised and issued share capital are set out in Note 22 to the Financial Statements.

### FINANCIAL INSTRUMENTS

Details and changes to the financial instruments used by the Group are included in Note 28 to the Financial Statements.

### RISKS AND UNCERTAINTIES

The principal risks and uncertainties associated with running a professional football club such as Celtic are set out below.

There are many inherent uncertainties in professional football due to the nature of the game. These also are part of the attraction of the sport, with unpredictability of outcome being part of the entertainment factor.

These risks are included within a risk matrix which is regularly reviewed internally and with the Audit Committee on behalf of the Board, and updated as necessary.

# Celtic plc

## DIRECTORS' REPORT

The risk matrix evaluation identifies types of risk, the likelihood of the identified risk occurring, the potential impact it may have on the Group if it did occur, and the steps that have been or should be taken to reduce the likelihood of occurrence and mitigate the impact if it did occur. The individuals responsible for managing these risks are identified and the steps required to be taken are subject to internal audit verification.

Although the Company's operations are managed so as to reduce the likelihood of these events occurring and to mitigate their potential impact if they did occur, it is not possible to eliminate these risks entirely.

The Directors consider that the principal risks to the performance of the business continue to fall under the following headings:

(i) *Player transfer market and wages*

The opportunity to acquire or dispose of player registrations occurs, subject to limited exceptions, only during 2 registration windows of specified duration. The time pressures that arise in the run-up to the closure of the window can have an impact on the outcome of negotiations. Players are readily mobile, particularly when out of contract, with transferable skills and so the range of possible clubs willing to engage the player can be extensive, particularly where he is very talented. Changes in football managerial appointments can also influence player demand, with certain players, or styles of play favoured by some managers more than others. Injuries and suspensions also affect player value and the willingness of clubs to release players for sale.

Player wages are subject to market forces with wage levels in some countries, particularly in those leagues with lucrative broadcasting contracts, significantly exceeding those available in others.

Consequently, all transactions are affected by a series of variable factors which result in the market being unpredictable.

(ii) *Season ticket revenues*

Significant revenue is derived from the sale of season tickets. External economic conditions can affect supporters' disposable income and there is a risk that the season ticket is treated as a dispensable luxury rather than a necessity. The quality of the team, the entertainment on offer, the level of success from preceding seasons, the opposition that the club may face in the season, together with pricing all have an effect on purchasing decisions. Many of these factors are beyond the control of the Group.

(iii) *Match day attendances*

Substantial income is derived from match day ticket sales and the provision of various products and services on match days, including programmes, merchandising, hospitality and catering. Donations from Celtic Pools, particularly in relation to a proportion of match day lottery ticket sales, are also important.

Poor football results and bad weather can lead to a drop in attendances. A perception that there are empty seats also affects the purchase of future season tickets in that supporters may elect to buy a match ticket when desired and run the risk of non-availability, rather than guarantee a seat by purchasing a season ticket.

(iv) *Revenues from broadcasting contracts and football competitions*

The Scottish Premier League sells domestic broadcasting rights centrally. The Group is entitled to a share of SPL revenues determined by reference to league position. The value of broadcasting contracts can vary, although these are generally entered into for several years at a time. Participation in other competitions, such as UEFA Champions League or UEFA Europa League, also leads to additional revenue being paid. The extent of this depends on the competition, the level of advancement in the relevant competition, whether there are any other Scottish participants, and the size of the Scottish domestic television market. The revenue available is dependent on participation and therefore determined on the basis of football results, which cannot be guaranteed.

Each of the headings mentioned is influenced significantly by factors beyond the control of the Group. Substantial increases in transfer fees or player wages, or significant decline in ticket sales or attendances, or in revenues from broadcasting and football competitions could have a detrimental impact on financial performance.

# Celtic plc

## DIRECTORS' REPORT

### Key Performance Indicators

The Group monitors performance against the following key performance indicators:

- Football success
- Match attendance statistics
- Sales performance per division
- Wage and other costs
- Capital expenditure
- Profit and cash generation

A detailed review of performance of the Group and each operating division is given in the Chief Executive's Review on pages 5 to 12.

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

The Directors serving throughout the year and at 30 June 2011 and their interests, including those of connected persons, in the share capital of the Company were as follows:

Name	30 June 2011		No. of Convertible Cumulative Preference Shares of 60p each	1 July 2010		No. of Convertible Cumulative Preference Shares of 60p each
	No. of Convertible Preferred Ordinary Shares of £1 each	No. of Ordinary Shares of 1p each		No. of Convertible Preferred Ordinary Shares of £1 each	No. of Ordinary Shares of 1p each	
Dr John Reid	-	3,000	3,000	-	3,000	3,000
Thomas E Allison	-	3,357,505	-	-	3,357,505	-
Ian P Bankier *	-	-	-	-	-	-
Dermot F Desmond	8,000,000	32,772,073	5,131,300	8,000,000	32,772,073	5,131,300
Brian Duffy	-	107,750	-	-	750	-
Peter T Lawwell	-	356,000	-	-	356,000	-
Ian P Livingston	1,600	505	500	1,600	505	500
Eric J Riley	8,000	76,925	5,000	8,000	76,569	5,000
Brian D H Wilson	-	3,000	500	-	3,000	500

\* Appointed 3 June 2011

Tom Allison's interest incorporates the interest of the Tom Allison Funded Unapproved Retirement Benefit Scheme. Dermot Desmond's beneficial interests are held by Line Nominees Limited. Peter Lawwell's shares are held personally and in the name of R.C. Greig Nominees Limited.

No changes in Directors' shareholdings between 30 June 2011 and 11 August 2011 have been reported to the Company.

Brief biographical details of the Directors serving as at 30 June 2011 are as follows:

**Dr John Reid** (64) was appointed to the Board with effect from 1 October 2007. He became Chairman in November 2007. Dr Reid is a member of the Remuneration Committee and chairs the Nomination Committee. He holds a PhD in Economic History and was a Member of Parliament from 1987 to 2010. During his career, Dr Reid held nine ministerial posts, eight of them at Cabinet level, culminating as Home Secretary. In 2010 he was appointed as a life peer. He is an Honorary Professor of University College London and has an Honorary Doctorate from Stirling University. Dr Reid will retire as Chairman and a director at the forthcoming Annual General Meeting.

**Thomas E. Allison** (63) has been a non-executive Director since September 2001. He is Chairman of the Remuneration Committee and a member of the Nomination Committee. Mr Allison is the nominated Senior Independent Director, Chairman of Peel Ports Limited and a director of Peel Holdings plc. He is Chairman of Keepmoat Limited and Tulloch Homes Group, a non-executive director of Sunseeker Yacht Group Limited and a member of the Council of CBI Scotland.

**Ian P Bankier**, (59) was appointed to the Board as an independent non-executive director on 3 June 2011. He will stand for election at the forthcoming Annual General Meeting. If elected, it is intended that Mr Bankier will replace Dr Reid as

# Celtic plc

## DIRECTORS' REPORT

Chairman. Mr Bankier is Executive Chairman of Glenkeir Whiskies Limited, a company he substantially owns. Glenkeir operates The Whisky Shop chain, which is the UK's largest specialist retailer of whiskies. He has been involved in the Scotch whisky industry for 15 years having been Managing Director of Burn Stewart Distillers PLC and Chief Executive of CL World Brands Limited. Mr Bankier's formative career was as a solicitor and he was a partner of McGrigors for 15 years, where he specialised in corporate law.

**Dermot F. Desmond** (61) has been a non-executive Director of the Company since May 1995. He is Chairman and founder of International Investment & Underwriting, a private investment company. Mr Desmond is a member of the Nomination and Audit Committees.

**Brian Duffy** (57) joined the Board in February 2010. Mr Duffy is Group President Europe of the Polo Ralph Lauren Corporation. Mr Duffy was educated in Glasgow and qualified as a Chartered Accountant in 1976. He has held a variety of senior posts in the clothing and consumer goods sectors and since 2003, with the Polo Ralph Lauren Corporation, which he joined as President and Chief Operating Officer, Europe. He became Group President, Europe in 2008. Mr Duffy is a member of the Audit and Remuneration Committees.

**Peter T. Lawwell** (52), 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.

**Ian P Livingston** (47) was appointed to the Board as an independent non-executive director with effect from 1 October 2007 and chairs the Audit Committee. Mr Livingston is Chief Executive of BT Group plc, having also served as chief executive of BT Retail and as Group Finance Director. Mr Livingston has also previously been Group Finance Director of Dixons Group plc and a non-executive director of Ladbrokes plc (formerly Hilton Group plc). He qualified as a Chartered Accountant in 1987.

**Eric J. Riley** (54) 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 served as a member of the Council of the Scottish Football Association and was appointed to the Board of the Scottish Premier League in July 2010.

**Brian Wilson** (62) 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, Election, and Re-election of Directors**

Dr John Reid will retire as Chairman and as a director at the forthcoming Annual General Meeting. He will not be standing for re-election.

Ian Bankier joined the Board on 3 June 2011 and will retire immediately prior to the Annual General Meeting and stand for election at that meeting.

In accordance with the Articles of Association of the Company, Brian Wilson and Peter Lawwell retire by rotation. Each being eligible, offers himself for re-election.

Tom Allison and Dermot Desmond have each served more than 9 years as non-executive directors and in accordance with Rule B7.1 of the UK Corporate Governance Code, each retires and offers himself for re-election.

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 Ian Bankier be elected, and Tom Allison, Dermot Desmond, Brian Wilson and Peter Lawwell be re-elected, as Directors of the Company.

# Celtic plc

## DIRECTORS' REPORT

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 11 August 2011:

Registered Holder	Ordinary Shares of 1p each	Percentage of Issued Ordinary Share capital
Christopher D Trainer	9,607,765	10.66
Bank of New York (Nominees) Limited	6,822,007	7.60
James Mark Keane	5,909,747	6.56

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
Telsar Holdings SA Depfyffer and Associes	1,600,000	11.44
Hanom I Limited	625,000	4.47
Vidacos Nominees Limited	509,010	3.64
Bank of New York (Nominees) Limited	500,000	3.58

### DONATIONS

The Group made direct charitable donations of £10,340 (2010: £12,701) which in both years was represented by the costs of hosting the Celtic Charity Fund annual dinner.

### 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 34 days (2010: 34 days).

### GENERAL GROUP AND COMPANY POLICIES

#### *Employee Communications*

Colleagues at all levels are kept informed regularly of matters that affect the progress of the Company and Group and may be of interest. Press and media announcements are circulated throughout the business. Members of senior management also meet formally with employee representatives nominated by all business units to consult on business development, safety and operational matters.

The Group operates a detailed annual appraisal system for most regular employees. This provides the opportunity for feedback and comment. An annual bonus scheme is operated in conjunction with the appraisal system. Details of this are set out in the Remuneration Report.

#### *Employment Policies*

The Company and its subsidiaries are all equal opportunity employers 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. A registration is maintained with Disclosure Scotland.

# Celtic plc

## DIRECTORS' REPORT

Full consideration is given to applications for employment by disabled persons where the requirements of the job can be adequately fulfilled by a 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. Recognition from Jobcentre Plus has been maintained, with retention of the right to use the "Positive about Disabled People" logo.

Investors In People status continues, with good practice in relation to pregnant employees also commended through the Tommy's accreditation.

### *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.

Waste paper and materials are recycled where possible and efforts are being made to reduce paper use and energy and water consumption through the use of more efficient printers, improved system controls and monitoring.

### **CELTIC CHARITY FUND**

Formed in 1995 as an independent charitable trust, with its own Trustees and separate accounting requirements, Celtic Charity Fund formalised the Club's support of charitable causes, based on Brother Walfrid's founding principles. As a separate and independent entity, the Charity Fund's financial results are not consolidated with the Company or Group accounts.

### **HEALTH AND SAFETY**

All companies within the Group operate strict health and safety regulations and policies. The requirements of the Green Guide on Safety at Sports Grounds (5<sup>th</sup> Edition) are adhered to, and the Company 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 etc Act 1974 and associated regulations.

Senior executives meet regularly with employee representatives under the auspices of a Health and Safety Steering Group and with an independent external expert. The Steering Group 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 at management, executive and Board meetings.

### **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:

1. there is no relevant audit information of which the Company's auditors are unaware; and
2. each Director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

### **AUDITORS**

At the Annual General Meeting on 18 November 2010 PKF (UK) LLP were re-appointed as auditors to the Company.

# **Celtic plc**

## **DIRECTORS' REPORT**

### **GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report.

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, Note 29 to the Financial Statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources available to it, together with established contracts with a number of customers and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the continuing uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

**Robert Howat, Secretary**

# Celtic plc

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE

The Company's 3 main classes of share – Ordinary, Convertible Preferred Ordinary and Preference - continued to be listed throughout the year on the AIM market operated by the London Stock Exchange.

Although not obliged under the AIM Rules to do so, the Board continued to apply the UK Corporate Governance Code during the year and to report on the basis of the principles contained in it.

The Group has complied with the provisions of the Combined Code in force for the accounting period ending 30 June 2011, with the exception that the Chairman of the Audit Committee did not attend the Company's Annual General Meeting on 18 November 2010. He was unable to do so as a result of a pre-existing diary conflict that could not be rearranged.

### Board of Directors

As at 30 June 2011 the Board of Directors consisted of a non-executive chairman, six other non-executive Directors and two executive Directors.

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 Tom Allison.

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 list of matters reserved exclusively for decision by 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 written reports are provided at each Board meeting by the Chief Executive and the Financial Director and otherwise as needed or requested.

Formal Board meetings are held regularly throughout the year. Occasionally decisions require to be made at a time when a meeting is not due to be held. In such circumstances proposals are circulated to the Board members for individual approval.

### Independence

The Board has assessed the independence of each of the non-executive Directors, other than the Chairman, taking account of the factors stated in The UK Corporate Governance Code.

Dermot Desmond has completed more than nine years' service and has a substantial shareholding. The Board has considered the tests stated in The UK Corporate Governance Code and is satisfied that in his work for and support of the Company Mr Desmond displays independence of mind and judgement and objectivity in the contribution he makes, notwithstanding the level of his shareholding and his length of service.

Tom Allison has completed nine years' service and has a substantial shareholding. Having considered the tests stated in The UK Corporate Governance Code and his contribution to the Board and Company throughout the year the Board is also satisfied that Mr Allison remains independent, notwithstanding these factors.

The Board has therefore determined that all of the non-executive Directors were independent throughout the year and continue to be so. The UK Corporate Governance Code advises that the test of independence is not appropriate in relation to a company chairman.

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.

Directors declare any conflicts of interest in advance of meetings and if such a conflict arises, the Director concerned does not participate in that element of the meeting or decisions relating to it.

# Celtic plc

## CORPORATE GOVERNANCE

### Review of Director Performance

The Board has conducted an evaluation of its performance and that of its Committees, the Chairman and each of the non-executive Directors, with the exception of Ian Bankier, who joined the Company on 4 June 2011. This was done principally by way of individual discussions with the Chairman, supported by a questionnaire covering general issues. The results have been considered by the Board, and comments noted. The performance of the Chairman was discussed by the Board without the Chairman being present.

All non-executive Directors were considered 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 in the financial year.

### Attendance

7 formal Board meetings were held during the year. The Audit Committee and Remuneration Committee each met 3 times. The Nomination Committee met twice.

All of the Directors serving during the year attended all Board and Committee meetings which they were eligible to attend, with the exception that Mr Desmond was represented by his alternate at all Board and Audit Committee meetings that he was eligible to attend and consequently did not attend those meetings personally. Mr Desmond attended both Nomination Committee meetings personally.

The Chairman 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 published on the Company's website.

Only independent non-executive Directors are entitled to sit on the Audit and Remuneration Committees with the exception that the Chairman sits on the Remuneration Committee. Executive Directors, the Company Secretary and other executives and advisers attend Committee meetings as required, but are not Committee members.

### Audit Committee

Ian Livingston, Dermot Desmond, Brian Duffy and Brian Wilson served on the Committee during the year. Mr Livingston chairs the Committee.

The external auditor, Company Secretary, Financial Director, internal auditor 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:

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

# Celtic plc

## CORPORATE GOVERNANCE

The auditors are required to disclose any potential conflicts, contracts with the Company and non-audit work conducted by them. This was done prior to re-engagement and discussed with the Audit Committee.

The Audit Committee, on behalf of the Board, was satisfied that audit objectivity and independence had been maintained during the year. Audit partner rotation occurs at least once in each 5-year period, with separate partner review.

### *Remuneration Committee*

Tom Allison chairs this Committee, with Brian Duffy, Brian Wilson and John Reid all serving during the year.

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 objectives of the executive Directors are set by the Committee and reported to the Board. The Committee also monitors the Company's executive share option scheme and implementation of other executive and employee incentive and bonus schemes. The Remuneration Report is set out in detail on pages 27 to 32.

### *Nomination Committee*

This Committee comprises Dr John Reid 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 and open advertising were not used by the Committee when considering succession planning issues associated with the retirement of the Chairman. An interest in football and support for the Club itself are important (although not conclusive factors), combined with expertise in fields which complement the existing skills and experience of the Board members and the nature and profile of the Company's business. In what is already a relatively small sector, the required attributes result in a limited field of potential candidates in any event and accordingly the Board have not considered it necessary to engage the services and meet the cost of external agencies.

## **INVESTOR COMMUNICATION**

Matchday events and investor dinners are used as informal, but effective methods of communicating with major shareholders. A number of the Company's major shareholders attend matches regularly and have the opportunity to meet the Board and any new Director. 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.

Regular consultation meetings also take place with supporters' associations, supporter clubs, shareholder groups and customer groups on general issues, as well as on specific proposals. 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 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 Group employs an internal auditor who attends and reports at each Audit Committee meeting.

The key features of the control environment are as follows:

The work undertaken of the Internal Audit function is consistent with previous years and covers the key risk and systems of control within the business.

In addition to an ongoing assessment of the effectiveness of the Company's system of internal financial controls, a framework is in place to plan, monitor and control the Group's activities including an annual budget and a rolling 5 year planning process.

An annual review process is in place to consider the financial implications of significant business risks upon the business. Regular meetings of the Business Continuity Team take place throughout the year.

A comprehensive internal forecasting process is in place and updated on a regular basis. Monthly management accounts are produced and significant variances from budget and forecast are investigated.

In addition to the core areas Internal Audit has made recommendations in respect of the development of the Company's IT infrastructure. During the year an electronic Purchase Order system was introduced, a computerised Fixed Asset Register is in progress and improvements have been made to the control framework surrounding the IT department.

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.

# Celtic plc

## REMUNERATION REPORT

This Report has been approved and adopted by the Remuneration Committee and the Board.

### **The Remuneration 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 page 2.

As part of its continuing commitment to provide meaningful information to shareholders, this report continues to contain data that the Board and Remuneration Committee have elected to disclose, even although the Company is not obliged by law or the AIM Rules to make that information available.

### **Remuneration Policy**

The Company has complied with the UK Corporate Governance Code during the year 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 Group's success but, taking account of the marketplace, without paying more than is reasonable or necessary. Account is taken of remuneration packages within other comparable companies and sectors, particularly other large football clubs, the Group'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 most regular employees throughout the Group.

The Committee obtains advice from the Company Secretary, from independent research report and from the published accounts of a number of other companies. No external consultants were 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 Group operates an annual bonus scheme for most of its regular employees in order to encourage out-performance, motivate, and retain staff. The scheme is reviewed each year by the Committee, monitored to ensure fairness and consistency in application. Changes are made when considered appropriate, or to reflect changes in the Group's performance or business plan.

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

Payments made to Directors in the financial year are set out on page 31.

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 certain senior executives annually. The salaries of senior members of the football management team and senior players are considered directly by the Board.

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

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

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

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

- 1 Improving and sustaining the financial performance of the Group from year to year;

# Celtic plc

## REMUNERATION REPORT

- 2 Delivering and enhancing shareholder value;
- 3 Enhancing the reputation and standing of Celtic;
- 4 Delivering consistently high standards of service to Celtic and its customers; and
- 5 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 the corporate performance conditions each year. Bonus payments are not pensionable.

Football players, the football management team and football backroom staff are subject to separate bonus schemes that reward 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 the Chief Executive 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 already 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:

- 1 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
- 2 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 at the time of grant as a challenging test of comparative financial performance, with a view to securing consistent growth and shareholder return against the sector.

### *Outstanding Option Grants*

#### 2001 Grant

Options were granted over Ordinary Shares of 1p each on 15 September 2001 at a price of 107.5p. The number and exercise price of these options were adjusted to 87.4p, with the consent of H M Revenue & Customs and following advice from the Company's auditors, in the financial year to 30 June 2007 to reflect the dilutive impact of the share issue that took place in December 2005. No options over Ordinary Shares from the grant in September 2001, as adjusted, lapsed during the year. The total number outstanding at 30 June 2011 was 752,901 (2010: 752,901). These will all lapse, if not exercised, on 15 September 2011.

# Celtic plc

## REMUNERATION REPORT

### 2003 Grant

Options over Ordinary Shares of 1p were granted under the Scheme on 27 October 2003 to Peter Lawwell, at an option price of 51p. These were also adjusted in the year to 30 June 2007 to reflect the dilutive impact of the December 2005 share issue. No options from this grant lapsed during the year. The total number outstanding at 30 June 2011 was 722,889 (2010: 722,889).

Details of the options held by executive Directors are given below.

	Balance at 1 July 2010 Number (adjusted)	Exercise Price (adjusted)	Grants 2010/ 2011	Exercised/ Lapsed 2010/2011	Balance at 30 June 2011	Class	Option Period
P Lawwell	722,889	41.5p	-	-	722,889	Ordinary 1p	Oct 2006/13
E Riley	508,045	87.4p	-	-	508,045	Ordinary 1p	Sept 2004/11

The closing market price of Ordinary Shares on 30 June 2011 was 45.0p (2010: 45.0p). The closing price range during the year was 39.0p to 47.5p.

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

An LTIP was introduced in 2007 as a replacement for the share option scheme which expired in December 2004. The LTIP was approved by shareholders at the Annual General Meeting in November 2007. The main objective of the LTIP is to retain and reward, through financial incentives, key executives within the Company over the medium to long term.

Under the terms of the 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 are made, which then accrue and are released at the end of the 4 year period, assuming the LTIP conditions have been met.

The LTIP applies to the financial years from 2007/2008 onwards, the financial year 2010/2011 being the fourth and last year of its initial operation. The performance conditions applied are 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. Some projects may take a number of years to complete, with various milestones through that period, or have a longer term impact.

Peter Lawwell and Eric Riley participate in the LTIP. The Remuneration Committee was satisfied that each of these individuals had satisfied the applicable criteria for the financial year to 30 June 2011. Accordingly, the awards set out in the table below have been made conditionally for the benefit of Mr. Lawwell and Mr. Riley, respectively for the 2010/11 financial year. Subject to Mr Lawwell and Mr Riley being employed at the time, payment of their accumulated LTIP interest will be released at the end of August 2011.

	LTIP interest at 1 July 2010	Award for year ending 30 June 2011	Total LTIP interest	Qualifying period
P Lawwell	£300,000	£350,000	£650,000	4 financial years to 30 June 2011
E Riley	£150,000	£100,000	£250,000	4 financial years to 30 June 2011

# Celtic plc

## REMUNERATION REPORT

### **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. In September 2008 amendments were made to Mr Lawwell's remuneration package in order to retain his services and reflect remuneration being paid elsewhere within the football sector. Potential entitlements under the LTIP were taken into account. As a result of these changes Mr Lawwell's basic salary was increased, and was fixed for 2008/2009 and the 2 following financial years at that increased level.

For the financial year to 30 June 2011, Mr Lawwell continued to be entitled to a maximum payment under the Company's bonus scheme of 60% of basic salary, if all performance conditions were satisfied, but this is subject to an overall maximum of £200,000, notwithstanding the increase in his basic salary that took place in 2008. Mr Lawwell's participation in the LTIP is subject to the conditions of that scheme. Subject to the outcome of the LTIP, an additional loyalty award of £150,000 was payable to Mr Lawwell if he remained employed by the Company throughout the period from 15 September 2008 to 30 June 2011. The amount (if any) of the loyalty award was dependent upon the outcome of the LTIP but the aggregate of payments due under the loyalty award and LTIP could not exceed £650,000. As Mr Lawwell's total LTIP entitlement, subject to satisfaction of the scheme terms and conditions, is £650,000, no additional loyalty award is payable.

Mr Lawwell deferred payment of an element (£152,288) of his bonus for financial year 2009/10 for an unspecified period. He has deferred payment of his entire bonus award for 2010/11 (£200,000) on a similar basis. Both deferred amounts remain payable at Mr Lawwell's instance.

Following on from the end of the remuneration package approved in 2008/2009 Mr Lawwell's maximum annual bonus entitlement reverts to 60% of salary (uncapped).

#### *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 on the Council of the Scottish Football Association during the year and as a director of the Scottish Premier League Limited. No fee is payable for either post.

Termination by the Company of the contracts of these Directors on shorter notice than provided for in the contracts, other than for misconduct or material breach, would be likely to create a requirement for payment of compensation related to the unexpired element of the notice periods and additionally in Mr Lawwell's case, a prorated amount of the loyalty bonus.

#### *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 are 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.

Tom Allison and Dermot Desmond each retire annually. John Reid and Ian Livingston will shortly be completing their first year of their second term in office but John Reid will retire at the forthcoming AGM. Ian Bankier has been newly appointed and, subject to his election, has three years of his first period in office remaining. Brian Duffy has approximately one and a half years of his first term to complete. Brian Wilson is commencing the first year of his third term.

### **Remuneration of Directors**

Directors' remuneration and benefits for the year to 30 June 2011 are set out in the table below.

# Celtic plc

## REMUNERATION REPORT

	Salary/ Fees £	Bonus £	Benefits in kind £	Pension Contributions £	2011 Total £	2010 Total £
Dr J Reid	50,000	-	-	-	50,000	50,000
P Lawwell*	507,625	200,000	16,432	76,143	800,200*	753,193*
E Riley	140,122	61,303	25,773	21,018	248,216	222,765
T Allison	25,000	-	-	-	25,000	25,000
I Bankier **	1,805	-	-	-	1,805	-
D Desmond	25,000	-	-	-	25,000	25,000
B Duffy***	25,000	-	-	-	25,000	9,776
I Livingston	30,000	-	-	-	30,000	30,000
B Wilson	25,000	-	-	-	25,000	25,000
B McBride	-	-	-	-	-	8,333
	<u>829,552</u>	<u>261,303</u>	<u>42,205</u>	<u>97,161</u>	<u>1,230,221</u>	<u>1,149,067</u>

\* Although entitled to a bonus of £190,359 for the financial year to 30 June 2010 under the terms of the Company's bonus scheme, Mr Lawwell unilaterally waived £38,071 of that entitlement. Mr Lawwell voluntarily deferred payment of the remaining amount of £152,288 until a future, as yet unspecified, date. Mr Lawwell has also deferred payment of his entire bonus entitlement (£200,000) awarded for financial year 2010/11 until a future, as yet unspecified date.

\*\* Appointed 3 June 2011 and therefore part year only.

\*\*\* Appointed 8 February 2010 and therefore part year only in 2009/10.

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.

Non-executive Directors' fees were increased to current levels in July 2007. No increase is being applied for 2011/2012. The post of Chairman of the Audit Committee carries 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.

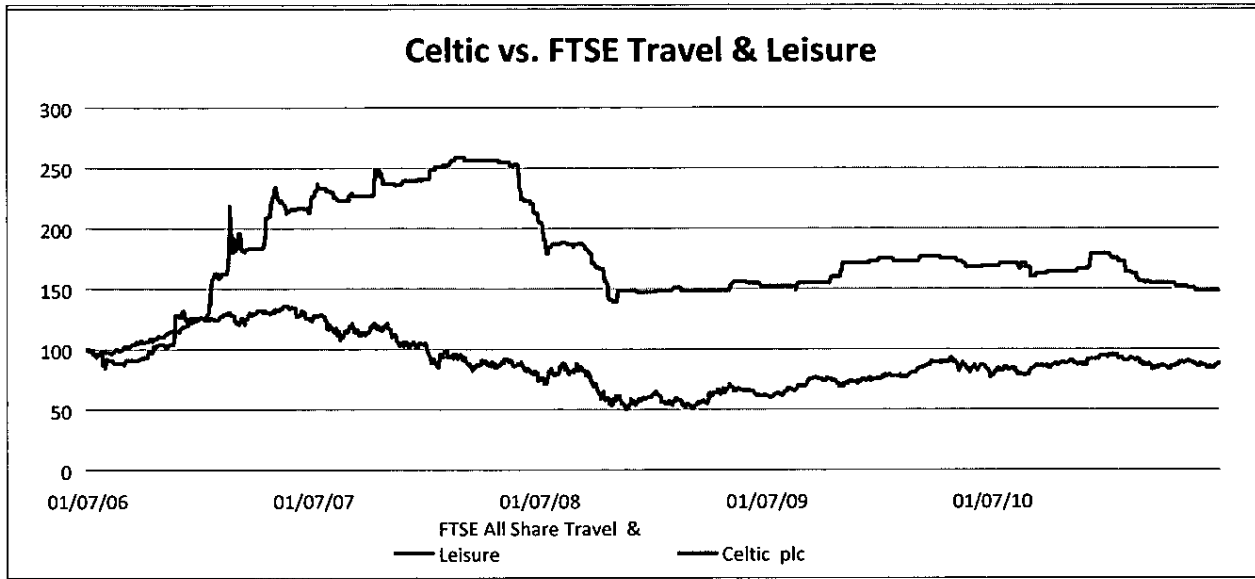
### Shareholder Return

The graph below compares the total shareholder return on an investment of £100 in Ordinary Shares of Celtic plc over a five year period commencing on 1 July 2006 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 Travel and Leisure index is calculated.

In the opinion of the Directors, the FTSE Travel and 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 sector. This index is also 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.

# Celtic plc

## REMUNERATION REPORT



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 M Howat*

Robert Howat, Secretary  
Celtic Park  
Glasgow  
G40 3RE

15 August 2011

# Celtic plc

## DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report and 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, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company Financial Statements in accordance with those standards. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they 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 judgments and accounting estimates that are reasonable and prudent;
- state whether the Financial Statements have been prepared in accordance with IFRSs as adopted by the European Union;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for 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.

	2011	2010	2009	2008	2007
<b>FINANCIAL</b>	<b>£000</b>	<b>£000</b>	<b>Restated £000</b>	<b>Restated £000</b>	<b>Restated £000</b>
<b>REVENUE</b>	<b>52,557</b>	61,715	72,587	72,593	75,237
Profit from trading before asset transactions and exceptional items	<b>56</b>	4,461	11,229	8,859	15,954
Profit/(loss) after taxation	<b>102</b>	(2,131)	2,003	4,435	15,040
Non equity dividends paid	<b>544</b>	544	544	544	1,895
Total equity	<b>40,003</b>	39,860	41,939	39,830	35,318
Shares in issue (excl deferred) no. '000	<b>120,903</b>	120,763	120,592	119,930	115,992
Earnings/(loss) per ordinary share	<b>0.11p</b>	(2.37p)	2.24p	5.09p	18.53p
Diluted earnings/( loss) per share	<b>0.47p</b>	(1.17p)	1.87p	3.70p	11.48p
Number of employees	<b>476</b>	454	508	500	496
<b>FOOTBALL</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
League position	<b>2</b>	2	2	1	1
League points	<b>92</b>	81	82	89	84
Scottish cup	<b>WINNERS</b>	SEMI FINAL	QUARTER FINAL	QUARTER FINAL	WINNERS
League cup	<b>FINALISTS</b>	QUARTER FINAL	WINNERS	QUARTER FINAL	QUARTER FINAL
European ties played	<b>2</b>	5	3	5	4
<b>CELTIC PARK</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>2009 £000</b>	<b>2008 £000</b>	<b>2007 £000</b>
Stadium investment to date	<b>61,728</b>	61,272	60,842	60,249	59,268
Stadium seating capacity (no.)	<b>60,355</b>	60,355	60,355	60,355	60,355
Average home league attendance (no.)	<b>49,719</b>	53,228	57,570	55,539	57,629
Season ticket sales (no.)	<b>44,734</b>	50,826	54,252	53,517	53,040

# Celtic plc

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELTIC PLC

We have audited the financial statements of Celtic plc for the year ended 30 June 2011 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the group and parent company statements of changes in equity, the consolidated cash flow statement, the company cashflow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PKF(UK) LLP

Charles Barnett (Senior statutory auditor)  
for and on behalf of PKF (UK) LLP, Statutory auditor

Glasgow, UK  
15 August 2011

# Celtic plc

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

		2011			2010		
		Operations excluding intangible asset trading £000	Intangible asset trading £000	Total £000	Operations excluding intangible asset trading £000	Intangible asset trading £000	Total £000
<b>Continuing operations:</b>							
Revenue	3, 4	52,557	-	52,557	61,715	-	61,715
Operating expenses (excluding exceptional operating expenses)	4, 5	(52,501)	-	(52,501)	(57,254)	-	(57,254)
<b>Profit from trading before asset transactions and exceptional items</b>		<b>56</b>	<b>-</b>	<b>56</b>	<b>4,461</b>	<b>-</b>	<b>4,461</b>
Exceptional operating expenses	7	(809)	(3,181)	(3,990)	(1,718)	(1,422)	(3,140)
Amortisation of intangible assets	5, 16	-	(8,155)	(8,155)	-	(8,350)	(8,350)
Profit on disposal of intangible assets		-	13,228	13,228	-	5,712	5,712
Loss on disposal of property, plant and equipment		(314)	-	(314)	(100)	-	(100)
<b>Operating (loss) / profit</b>		<b>(1,067)</b>	<b>1,892</b>	<b>825</b>	<b>2,643</b>	<b>(4,060)</b>	<b>(1,417)</b>
<b>Finance costs:</b>							
Bank loans and overdrafts	11			(179)			(170)
Convertible Cumulative Preference Shares				(544)			(544)
<b>Profit / (loss) before tax</b>				<b>102</b>			<b>(2,131)</b>
Income tax expense	12			-			-
<b>Profit / (loss) and total comprehensive income for the year</b>				<b>102</b>			<b>(2,131)</b>
<b>Profit / (loss) attributable to equity holders of the parent</b>				<b>102</b>			<b>(2,131)</b>
<b>Total comprehensive income attributable to equity holders of the parent</b>				<b>102</b>			<b>(2,131)</b>
Basic earnings / (loss) per Ordinary Share for continuing operations	14			<b>0.11p</b>			<b>(2.37p)</b>
Diluted earnings / (loss) per share for continuing operations	14			<b>0.47p</b>			<b>(1.17p)</b>

**Celtic plc**  
Registered number: SC3847  
**CONSOLIDATED BALANCE SHEET**  
AS AT 30 JUNE 2011

	Notes	2011 £000	2010 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	54,357	55,854
Intangible assets	16	<u>10,364</u>	<u>13,769</u>
		<u>64,721</u>	<u>69,623</u>
<b>Current assets</b>			
Inventories	18	2,250	1,775
Trade and other receivables	20	5,837	6,845
Cash and cash equivalents	21	<u>10,818</u>	<u>5,867</u>
		<u>18,905</u>	<u>14,487</u>
<b>Total assets</b>		<u>83,626</u>	<u>84,110</u>
<b>Equity</b>			
Issued share capital	22	24,264	24,246
Share premium		14,399	14,359
Other reserve		21,222	21,222
Capital reserve		2,629	2,646
Accumulated losses	23	<u>(22,511)</u>	<u>(22,613)</u>
<b>Total equity</b>		<u>40,003</u>	<u>39,860</u>
<b>Non-current liabilities</b>			
Interest-bearing liabilities/bank loans	25	10,968	11,344
Debt element of Convertible Cumulative Preference Shares		4,438	4,438
Deferred income	27	<u>142</u>	<u>183</u>
		<u>15,548</u>	<u>15,965</u>
<b>Current liabilities</b>			
Trade and other payables	26	15,815	15,978
Current borrowings	26	506	511
Deferred income	27	<u>11,754</u>	<u>11,796</u>
		<u>28,075</u>	<u>28,285</u>
<b>Total liabilities</b>		<u>43,623</u>	<u>44,250</u>
<b>Total equity and liabilities</b>		<u>83,626</u>	<u>84,110</u>

The financial statements were approved and authorised for issue by the Board on 15 August 2011 and were signed on its behalf by

  
Peter T Lawwell

Director

  
Eric J Riley

Director

**Celtic plc**  
Registered number: SC3847  
**COMPANY BALANCE SHEET**  
AS AT 30 JUNE 2011

	Notes	2011 £000	2010 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	54,357	55,854
Intangible assets	16	10,364	13,769
Investment in subsidiaries	17	-	-
		<u>64,721</u>	<u>69,623</u>
<b>Current assets</b>			
Trade and other receivables	20	14,002	14,224
Cash and cash equivalents	21	10,703	4,913
		<u>24,705</u>	<u>19,137</u>
<b>Total assets</b>		<u>89,426</u>	<u>88,760</u>
<b>Equity</b>			
Issued share capital	22	24,264	24,246
Share premium		14,399	14,359
Other reserve		21,222	21,222
Capital reserve		2,629	2,646
Accumulated profits	23	509	380
<b>Total equity</b>		<u>63,023</u>	<u>62,853</u>
<b>Non-current liabilities</b>			
Interest bearing liabilities/bank loans	25	10,968	11,344
Debt element of Convertible Cumulative Preference Shares		4,438	4,438
		<u>15,406</u>	<u>15,782</u>
<b>Current liabilities</b>			
Trade and other payables	26	10,491	9,614
Current borrowings	26	506	511
		<u>10,997</u>	<u>10,125</u>
<b>Total liabilities</b>		<u>26,403</u>	<u>25,907</u>
<b>Total equity and liabilities</b>		<u>89,426</u>	<u>88,760</u>

The financial statements were approved and authorised for issue by the Board on 15 August 2011 and were signed on its behalf by

  
Peter T Lawwell

Director

  
Eric J Riley

Director

# Celtic plc

## STATEMENT OF CHANGES IN EQUITY YEAR ENDED 30 JUNE 2011

<b>Group</b>	<b>Share capital £000</b>	<b>Share premium £000</b>	<b>Other reserve £000</b>	<b>Capital reserve £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
<b>Equity shareholders' funds as at 1 July 2009</b>	<b>24,204</b>	<b>14,309</b>	<b>21,222</b>	<b>2,686</b>	<b>(20,482)</b>	<b>(41,939)</b>
Share capital issued	2	50	-	-	-	52
Transfer from capital reserve	40	-	-	(40)	-	-
Loss for the period	-	-	-	-	(2,131)	(2,131)
<b>Equity shareholders' funds as at 30 June 2010</b>	<b>24,246</b>	<b>14,359</b>	<b>21,222</b>	<b>2,646</b>	<b>(22,613)</b>	<b>39,860</b>
Share capital issued	1	40	-	-	-	41
Transfer from capital reserve	17	-	-	(17)	-	-
Profit for the period	-	-	-	-	102	102
<b>Equity shareholders' funds as at 30 June 2011</b>	<b>24,264</b>	<b>14,399</b>	<b>21,222</b>	<b>2,629</b>	<b>(22,511)</b>	<b>40,003</b>
<b>Company</b>	<b>Share capital £000</b>	<b>Share premium £000</b>	<b>Other reserve £000</b>	<b>Capital reserve £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
<b>Equity shareholders' funds as at 1 July 2009</b>	<b>24,204</b>	<b>14,309</b>	<b>21,222</b>	<b>2,686</b>	<b>(645)</b>	<b>61,776</b>
Share capital issued	2	50	-	-	-	52
Transfer from capital reserve	40	-	-	(40)	-	-
Profit for the period	-	-	-	-	1,025	1,025
<b>Equity shareholders' funds as at 30 June 2010</b>	<b>24,246</b>	<b>14,359</b>	<b>21,222</b>	<b>2,646</b>	<b>380</b>	<b>62,853</b>
Share capital issued	1	40	-	-	-	41
Transfer from capital reserve	17	-	-	(17)	-	-
Profit for the period	-	-	-	-	129	130
<b>Equity shareholders' funds as at 30 June 2011</b>	<b>24,264</b>	<b>14,399</b>	<b>21,222</b>	<b>2,629</b>	<b>509</b>	<b>63,023</b>

# Celtic plc

## CONSOLIDATED CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2011

	Note	2011 £000	2010 £000
<b>Cash flows from operating activities</b>			
Profit / (loss) for the year		102	(2,131)
Depreciation	15	2,077	1,986
Amortisation of intangible assets	16	8,155	8,350
Impairment of intangible assets	16	3,181	1,422
Profit on disposal of intangible assets	16	(13,228)	(5,712)
Loss on disposal of property, plant and equipment		314	100
Finance costs	11	723	714
Sub total		<u>1,324</u>	<u>4,729</u>
(Increase) / decrease in inventories		(475)	245
(Increase) / decrease in receivables		(668)	1,081
Decrease in payables and deferred income		<u>(735)</u>	<u>(2,611)</u>
<b>Cash generated from operations</b>		(554)	3,444
Interest paid		<u>(179)</u>	<u>(170)</u>
<i>Net cash flow from operating activities - A</i>		<u>(733)</u>	<u>3,274</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(807)	(1,208)
Purchase of intangible assets		(9,891)	(10,330)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of intangible assets		<u>17,267</u>	<u>4,421</u>
<i>Net cash generated / (used) in investing activities - B</i>		<u>6,569</u>	<u>(7,117)</u>
<b>Cash flows from financing activities</b>			
Repayment of debt		(382)	(286)
Dividends paid		<u>(503)</u>	<u>(493)</u>
<i>Net cash used in financing activities - C</i>		<u>(885)</u>	<u>(779)</u>
Net increase / (decrease) in cash equivalents A+B+C		4,951	(4,622)
Cash and cash equivalents at 1 July		<u>5,867</u>	<u>10,489</u>
Cash and cash equivalents at 30 June	21	<u>10,818</u>	<u>5,867</u>

# Celtic plc

## COMPANY CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2011

	Note	2011 £000	2010 £000
<b>Cash flows from operating activities</b>			
Profit for the year		129	1,025
Depreciation	15	2,077	1,986
Amortisation of intangible assets	16	8,155	8,350
Impairment of intangible assets	16	3,181	1,422
Profit on disposal of intangible assets	16	(13,228)	(5,712)
Loss on disposal of property, plant and equipment		314	100
Finance costs	11	723	714
Sub total		<u>1,351</u>	<u>7,885</u>
Decrease in receivables		(1,454)	(5,204)
Increase in payables		385	234
<b>Cash generated from operations</b>		<u>282</u>	<u>2,915</u>
Interest paid		(176)	(170)
<i>Net cash flow from operating activities – A</i>		<u>106</u>	<u>2,745</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(807)	(1,208)
Purchase of intangible assets		(9,891)	(10,330)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of intangible assets		17,267	4,421
<i>Net cash generated / (used) in investing activities – B</i>		<u>6,569</u>	<u>(7,117)</u>
<b>Cash flows from financing activities</b>			
Repayment of debt		(382)	(286)
Dividends paid		(503)	(493)
<i>Net cash used in financing activities - C</i>		<u>(885)</u>	<u>(779)</u>
Net increase / (decrease) in cash equivalents A+B+C		5,790	(5,151)
Cash and cash equivalents at 1 July		4,913	10,064
Cash and cash equivalents at 30 June	21	<u>10,703</u>	<u>4,913</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

### 1. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to both years presented, for both the Group and the parent Company.

These Financial Statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

A separate income statement for the parent Company has not been presented as permitted by Section 408 of the Companies Act 2006. The profit for the parent Company is disclosed in Note 23.

#### Statement of compliance

#### Adoption of standards effective in 2010

There have been no new standards effective and applicable to the Group since July.

#### IFRS effective in 2010 but not relevant

The following amendments were mandatory for accounting periods beginning on or after 1 July 2010 but are not relevant to the operations of the Group or Company:

IFRS1 – First time adoption of IFRS

IFRIC 19 - Extinguishing financial liabilities with equity instruments

#### New standards not yet effective until 1 January 2013

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (amended)
- IAS 28 Investments in Associates and Joint Ventures (amended)
- IFRS 13 Fair Value Measurement

### 2. ACCOUNTING POLICIES

#### (a) 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 2011.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

#### (b) Depreciation

Property, plant and equipment is stated at cost and written off to residual value over its estimated useful life at the following annual rates:

Plant and vehicles	10% - 25% reducing balance
Fixtures, fittings and equipment	10% - 33% reducing balance
IT equipment and other short life assets	25% - 33% straight line
Buildings (excluding Stadium)	4% - 10% straight line
Football Stadium	1.33% straight line

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate. Gains or losses on disposal are reported in the consolidated statement of comprehensive income. The Group assesses at each balance sheet date whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value and where impairment is present, impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

Freehold land is not depreciated.

Freehold land and buildings includes capitalised interest of £0.43m (2010: £0.43m).

### (c) Intangible assets

Costs directly attributable to the acquisition and retention of football personnel are capitalised and treated as intangible assets. Subsequent amounts are capitalised only when they become unavoidable due to the elimination of all contingent events relating to their payment and where the value of the asset is enhanced by the underlying event. All of these amounts are amortised to the income statement over the contract period remaining from their capitalisation to nil residual values.

### (d) Impairment policy

The Group and Company tests impairment at each balance sheet date. In determining whether an intangible asset is impaired account is taken of the following:

- (i) management's intentions in terms of each specific asset being part of the plans for the coming football season;
- (ii) the evidence of this intention such as the level of an asset's participation in the previous football season;
- (iii) the level of interest from other clubs in paying a transfer fee for the asset;
- (iv) market knowledge of transfer appetite, activity and budgets in the industry through discussion with agents and other clubs;
- (v) the financial state of the football industry;
- (vi) the level of appetite from clubs for football personnel from Scotland;
- (vii) levels of 'cover' for each playing position;
- (viii) the football personnel's own career plans and personal intentions for the future, and
- (ix) contract terminations.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

### (e) Revenue

Revenue 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. Revenue is analysed between Football and Stadium Operations, Merchandising and Multimedia and Other Commercial Activities.

Football and Stadium Operations revenue arises from all ticket sales, standard, premium and corporate, derived from matches played at Celtic Park. Other revenues are also derived from matchday and non-matchday catering and banqueting, visitor centre revenues, soccer school revenues, donations received from Celtic Development Pools Limited and revenues derived from the hiring of Celtic Park for football and non-football events.

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

Television rights sales are recognised dependent upon the nature of the sale of the rights as follows:

- i) Domestic league television rights are sold centrally by the Scottish Premier League and distributed to the SPL league clubs on a percentage basis dependent upon the final league positions of the clubs. Income is recognised evenly over the period to which it relates, namely the course of the football season.
- ii) Domestic cup rights are sold centrally by either the Scottish Football Association or the Scottish Football League (depending on the competition) who advise clubs of the value of each televised match. Revenue is recognised when a televised match is played.
- iii) European rights sales derived from participation in the UEFA Champions League or the UEFA Europa League are sold centrally by UEFA who advise clubs of the values to be paid for their participation in the tournament. Revenue is recognised when each relevant match is played.
- iv) Other television rights sales which are made by Celtic, such as home friendly matches, are recognised once the televised match has taken place.

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## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

Sponsorship revenues are recognised based on the nature of the sponsorship such that kit and shirt sponsorship income, which relates to a particular football season is recognised evenly throughout the financial year. Event specific sponsorship is recognised when the relevant event takes place.

Joint marketing and partnership initiative income is recognised evenly over the period of the partnership / marketing agreement / contract. These frequently consist of fixed licence fees or guaranteed minimum royalties.

The critical judgements made in respect of income recognition are largely in respect of assessing the accuracy of estimated information provided by trading partners, the Scottish Football Association, The Scottish Premier League and UEFA where match-related and other revenues are due at the end of the financial year but, by the date of approval of the financial statements, confirmation of the finalised value of such revenues has not yet been fully received by Celtic.

### **(f) Grants**

Grants in respect of capital expenditure on property, plant and equipment, 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 the income statement as received.

### **(g) Financial instruments**

The Group and Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are initially recognised on the balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

### **(h) Leasing obligations**

Leasing charges in respect of operating leases are recognised in the consolidated statement of comprehensive income over the lives of the lease agreements as incurred on a straight line basis.

### **(i) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.

### **(j) Trade receivables**

Trade receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. They are recognised on the trade date of the related transactions.

### **(k) Trade payables**

Trade payables are stated at their amortised cost. They are recognised on the trade date of the related transactions.

### **(l) 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 and also payments made to the personal pension plans of certain employees.

### **(m) Foreign exchange**

Non monetary items denominated in foreign currency are translated at the date of the transaction. Monetary foreign currency assets and liabilities at the year-end are translated at the year end exchange rate. Any resulting exchange gain or loss is dealt with in the Group Consolidated Statement of Comprehensive Income in the period in which they arise.

### **(n) Deferred tax**

Deferred tax is provided using the full provision method and is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date. Deferred tax assets are incorporated within the Financial Statements to the extent that it is considered probable that future taxable profits will be available against which assets can be utilised.

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## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

### **(o) Share based payments**

The Group has applied the exemption available under IFRS 1 and elects to apply IFRS 2 only to awards of equity instruments made after 7 November 2002 that had not vested by 1 January 2006. Options are measured at fair value at grant date using the Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest. Cash settled share-based payment transactions results in the recognition of a liability at its current fair value. Details of the Group's share option schemes are provided in the Remuneration Report on page 25.

### **(p) Exceptional operating expenses**

It is the Group's policy to categorise the impairment of tangible or intangible assets, onerous contract costs, compromise payments and ancillary direct costs as exceptional operating expenses in the consolidated statement of comprehensive income.

### **(q) Critical accounting estimates and judgements**

Judgements used and applied in the preparation of the Financial Statements are continually evaluated by management. The critical judgements applied within the Financial Statements are in respect of income recognition, as noted at 2(e) above, impairment of intangible assets, noted at 2(d) above, and the calculation of the debt element of compound financial instruments, noted at 2(g) above.

### **(r) Financial instruments**

**Cash and cash equivalents:** Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**Interest bearing borrowings:** Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

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## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

### 3. SEGMENTAL REPORTING

The Group is organised into three main operating divisions: Football and Stadium Operations, Merchandising and Multimedia and other commercial activities. These divisions are the basis on which the Group reports its primary segment information. The Group operates in the UK and as a result does not have any geographical segments.

Year to 30 June 2011	Football and Stadium Operations £000	Merchandising £000	Multimedia and Other Commercial Activities £000	Consolidated £000
External revenue	30,986	14,330	7,241	52,557
(Loss) / profit from segment before asset transactions and exceptional operating expenses	(9,852)	4,613	5,295	56
Exceptional operating expenses				(3,990)
Amortisation of intangible fixed assets				(8,155)
Profit on disposal of intangible fixed assets				13,228
Loss on disposal of property, plant and equipment				(314)
Profit before finance costs and tax				825
Finance costs				723
Taxation				-
Profit for the year				102
<b>Other information:</b>				
Segment assets	65,301	5,247	1,010	71,558
Unallocated corporate assets				12,068
Consolidated total assets				83,626
Segment liabilities	18,816	658	1,878	21,352
Unallocated corporate liabilities				22,271
Consolidated total liabilities				43,623
Capital expenditure	884	-	11	895
Depreciation	1,661	401	15	2,077
Intangible asset additions	10,294			10,294
Amortisation	8,155			8,155
Impairment losses	3,181			3,181

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

Year to 30 June 2010	Football and Stadium Operations £000	Merchandising £000	Multimedia and Other Commercial Activities £000	Consolidated £000
External revenue	35,507	15,496	10,712	61,715
(Loss) / profit from segment before asset transactions and exceptional operating expenses	(9,874)	5,545	8,790	4,461
Exceptional operating expenses				(3,140)
Amortisation of intangible fixed assets				(8,350)
Profit on disposal of intangible fixed assets				5,712
Loss on disposal of property, plant and equipment				(100)
Loss before finance costs and tax				(1,417)
Finance costs				(714)
Taxation				-
Loss for the year				(2,131)
<b>Other information:</b>				
Segment assets	70,579	4,063	2,204	76,846
Unallocated corporate assets				7,264
Consolidated total assets				84,110
Segment liabilities	22,556	1,381	1,442	25,379
Unallocated corporate liabilities				18,871
Consolidated total liabilities				44,250
Capital expenditure	1,118	86	47	1,251
Depreciation	1,776	203	7	1,986
Intangible asset additions	13,641	-	-	13,641
Amortisation	8,350	-	-	8,350
Impairment losses	1,422	-	-	1,422

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## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

### 4. REVENUE AND OPERATING EXPENSES

	2011 £000	2010 £000
<b>REVENUE</b>		
The Group's revenue comprised:		
Football and Stadium Operations	30,986	35,507
Merchandising	14,330	15,496
Multimedia and Other Commercial Activities	7,241	10,712
	<u>52,557</u>	<u>61,715</u>
<b>OPERATING EXPENSES</b>		
The Group's operating expenses comprised:		
Football and Stadium Operations (excluding exceptional items and asset transactions)	40,838	45,381
Exceptional items and asset transactions:	809	-
Early termination of employment contracts	-	1,718
Impairment of intangible assets	3,181	1,422
Amortisation of intangible assets	8,155	8,350
Profit on disposal of intangible assets	(13,228)	(5,712)
Loss/(profit) on disposal of property, plant and equipment	314	100
Total Football and Stadium Operations	<u>40,069</u>	<u>51,259</u>
Merchandising	9,717	9,951
Multimedia and Other Commercial Activities	1,946	1,922
	<u>51,732</u>	<u>63,132</u>

### 5. PROFIT / (LOSS) BEFORE FINANCE COSTS AND TAX

	2011 £000	2010 £000
Group profit / (loss) before finance costs and tax is stated after charging:		
Staff costs (Note 8)	32,660	36,483
Depreciation of property, plant and equipment (Note 15)	2,077	1,986
Amortisation of intangible assets (Note 16)	8,155	8,350
Impairment losses on intangible assets	16	1,422
Operating lease expense	27	1,001
Cost of inventories recognised as expense	6,302	6,903

### 6. AUDITOR'S REMUNERATION

	2011 £000	2010 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17	10
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of associates of the Company pursuant to legislation	15	26
Other services relating to taxation	15	8
All other services	15	2

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2011

#### 7. EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £3.99m (2010: £3.14m) can be analysed as follows:

Exceptional operating expenses comprised	2011 £000	2010 £000
Impairment of intangible assets (Note 2d)	3,181	1,422
Compromise payments on contract termination	(428)	1,703
Onerous contract costs	1,237	-
Ancillary direct costs	-	15
	<b>3,990</b>	<b>3,140</b>

#### 8. STAFF PARTICULARS

Group	2011 £000	2010 £000
Wages and salaries	28,952	32,514
Social security costs	3,398	3,633
Other pension costs	310	336
	<b>32,660</b>	<b>36,483</b>

Company	2011 £000	2010 £000
Wages and salaries	2,646	2,427
Social security costs	279	311
Other pension costs	163	164
	<b>3,088</b>	<b>2,902</b>

Employee numbers Group	2011 Number	2010 Number
Average number of full time equivalents employed in the year:	<b>476</b>	<b>454</b>

Company	2011 Number	2010 Number
Average number of full time equivalents employed in the year:	<b>89</b>	<b>101</b>

#### 9. DIRECTORS' EMOLUMENTS

	Salary/ Fees £	Bonus £	Benefits in kind £	Pension Contributions £	2011 Total £	2010 Total £
Dr J Reid	50,000	-	-	-	50,000	50,000
P Lawwell*	507,625	200,000	16,432	76,143	800,200*	753,193*
E Riley	140,122	61,303	25,773	21,018	248,216	222,765
T Allison	25,000	-	-	-	25,000	25,000
I Bankier **	1,805	-	-	-	1,805	-
D Desmond	25,000	-	-	-	25,000	25,000
B Duffy***	25,000	-	-	-	25,000	9,776
I Livingston	30,000	-	-	-	30,000	30,000
B Wilson	25,000	-	-	-	25,000	25,000
B McBride	-	-	-	-	-	8,333
	<b>829,552</b>	<b>261,303</b>	<b>42,205</b>	<b>97,161</b>	<b>1,230,221</b>	<b>1,149,067</b>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

- \* Although entitled to a bonus of £190,359 for the financial year to 30 June 2010 under the terms of the Company's bonus scheme, Mr Lawwell unilaterally waived £38,071 of that entitlement. Mr Lawwell voluntarily deferred payment of the remaining amount of £152,288 until a future, as yet unspecified, date. Mr Lawwell has also deferred the entire amount of the bonus awarded to him for 2010/11 (£200,000) to a future, as yet unspecified, date.
- \*\* Appointed 3 June 2011 and therefore part year only.
- \*\*\* Appointed 8 February 2010 and therefore part year only in 2009/10.

Aggregate emoluments and pension contributions of the highest paid director were £724,057 (2010: £677,049) and £76,143 (2010: £76,143) respectively. The aggregate emoluments of the highest paid director include bonus provision.. During the year contributions were paid to defined contribution money purchase pension schemes in respect of 2 (2010: 2) directors.

### 10. RETIREMENT BENEFIT OBLIGATIONS

The Group and Company pension arrangements are operated through a defined contribution money purchase scheme. The assets of the pension scheme are held separately from those of the Group and Company by The Standard Life Assurance Company. Contributions made by the Group and Company to the scheme during the year amounted to £200,868 (2010: £204,509) and £65,534 (2010: £63,123) respectively. Group and Company contributions of 25,901 (2010: £25,757) and £7,447 (2010: £7,780) respectively were payable to the fund at the year-end. In addition to this the Group and Company also made contributions to the personal pension plans of certain employees.

### 11. FINANCE COSTS

	2011 £000	2010 £000
Finance costs comprised:		
On bank and other loans	179	170
Convertible Cumulative Preference Shares of 60p each	544	544
Total interest payable	723	714

### 12. TAX ON ORDINARY ACTIVITIES – GROUP

No provision for corporation tax or deferred tax is required in respect of the year ended 30 June 2011. Estimated tax losses available for set-off against future trading profits amount to approximately £27m (2010: £26m) and, in addition, the available capital allowances pool is approximately £14.55m (2010: £17.10m). These estimates are subject to the agreement of the current and prior years' corporation tax computations with H M Revenue and Customs.

The corporation tax assessed for the year is different from the standard rate of corporation tax in the United Kingdom of 28% (2010: 28%). The differences are explained below:

	2011 £000	2010 £000
Profit / (loss) on ordinary activities before tax	102	(2,131)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2010: 28%)	29	(597)
Effects of:		
Expenses not deductible for tax purposes	21	14
Depreciation for the period (below ) / in excess of capital allowances	(277)	556
Dividends reclassified as interest	152	152
Untaxed income	(188)	(207)
Other	69	-
Losses utilised in the year	194	(125)
Current corporation tax charge for year	-	-

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2011

Current corporation tax charge for year	-	-
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An explanation regarding the movement in deferred tax is provided at Note 19.

#### 13. DIVIDENDS PAYABLE

A 6% (before tax credit deduction) non-equity dividend of £0.54m (2010: £0.54m) is payable on 31 August 2011 to those holders of Convertible Cumulative Preference Shares on the share register at 29 July 2011. On 31 August 2007 the entitlement to a dividend on the Convertible Preferred Ordinary Shares ceased. 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 IAS32 ("Financial Instruments: disclosure") 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 finance costs. No dividends were payable or proposed to be payable on the Company's Ordinary Shares.

#### 14. EARNINGS PER SHARE

	2011 £000	2010 £000
Reconciliation of earnings / (loss) to basic earnings / (loss):		
Net earnings / (loss) attributable to equity holders of the parent	102	(2,131)
Basic earnings / (loss)	102	(2,131)
Reconciliation of basic (loss) / earnings to diluted (loss) / earnings:		
Basic (loss) / earnings	102	(2,131)
Non-equity share dividend	544	544
Diluted (loss) / earnings	646	(1,587)
	No.'000	No.'000
Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Basic weighted average number of ordinary shares	90,069	89,873
Dilutive effect of convertible shares	46,150	46,257
Diluted weighted average number of ordinary shares	136,219	136,130

Earnings per share has been calculated by dividing the profit for the period of £0.10m (2010: £2.13m loss) by the weighted average number of Ordinary Shares of 90.07m (2010: 89.87m) in issue during the year. Diluted earnings per share as at 30 June 2011 has been calculated by dividing the profit 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 IAS33 Earnings Per Share. As at June 2011 and June 2010 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

### 15. NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT

The movement on these accounts during the year to 30 June 2011 was as follows:

Group and Company	Freehold Land and Buildings £000	Plant and Vehicles £000	Fixtures, Fittings and Equipment £000	Total £000
<b>Cost</b>				
At 1 July 2010	48,859	4,514	21,142	74,515
Additions	311	59	525	895
Disposals	-	(13)	(1,452)	(1,465)
<b>At 30 June 2011</b>	<b>49,170</b>	<b>4,560</b>	<b>20,215</b>	<b>73,945</b>
<b>Accumulated Depreciation</b>				
At 1 July 2010	1,274	2,191	15,196	18,661
Charge for year	177	201	1,699	2,077
Eliminated on disposal	-	(13)	(1,137)	(1,150)
<b>At 30 June 2011</b>	<b>1,451</b>	<b>2,379</b>	<b>15,758</b>	<b>19,588</b>
<b>Net Book Value</b>				
<b>At 30 June 2011</b>	<b>47,719</b>	<b>2,181</b>	<b>4,457</b>	<b>54,357</b>
At 30 June 2010	47,585	2,323	5,946	55,854

During the year the directors re-assessed the useful life of IT equipment and short-life assets. This resulted in an increase in depreciation charge in the year of £338,397.

#### Group and Company

The movement on these accounts during the year to 30 June 2010 was as follows:

Group and Company	Freehold Land and Buildings £000	Plant and Vehicles £000	Fixtures, Fittings and Equipment £000	Total £000
<b>Cost</b>				
At 1 July 2009	48,275	4,494	20,897	73,666
Additions	584	28	639	1,251
Disposals	-	(8)	(394)	(402)
<b>At 30 June 2010</b>	<b>48,859</b>	<b>4,514</b>	<b>21,142</b>	<b>74,515</b>
<b>Accumulated Depreciation</b>				
At 1 July 2009	1,084	1,932	13,961	16,977
Charge for year	190	267	1,529	1,986
Eliminated on disposal	-	(8)	(294)	(302)
<b>At 30 June 2010</b>	<b>1,274</b>	<b>2,191</b>	<b>15,196</b>	<b>18,661</b>
<b>Net Book Value</b>				
<b>At 30 June 2010</b>	<b>47,585</b>	<b>2,323</b>	<b>5,946</b>	<b>55,854</b>
At 30 June 2009	47,191	2,562	6,936	56,689

Freehold land and buildings include capitalised interest of £0.43m (2010: £0.43m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

### 16. NON-CURRENT ASSETS - INTANGIBLE ASSETS

Group and Company	2011 £000	2010 £000
<b>Cost</b>		
At 1 July	30,283	26,126
Additions	10,294	13,641
Disposals	(10,959)	(9,484)
<b>At 30 June</b>	<b>29,618</b>	<b>30,283</b>
<b>Amortisation</b>		
At 1 July	16,514	13,981
Charge for year	8,155	8,350
Provision for impairment	3,181	1,422
Disposals	(8,596)	(7,239)
<b>At 30 June</b>	<b>19,254</b>	<b>16,514</b>
<b>Net Book Value</b>		
At 30 June	<b>10,364</b>	<b>13,769</b>

	2011 No.	2011 £000	2010 No.	2010 £000
<b>The number of players with a book value in excess of £1m by contract expiry date is as follows:</b>				
Contract expiry within 1 year	-	-	-	-
Contract expiry within 2 years	2	2,522	4	5,853
Contract expiry within 3 years	1	1,113	1	1,084
Contract expiry within 4 years	-	-	2	2,913
	<b>3</b>	<b>3,635</b>	<b>7</b>	<b>9,850</b>

No individual intangible asset included above accounted for more than 14% of the total net book value of the intangible assets (2010: 15%). The opening net book value of intangible assets at 1 July 2010 was £13.77m and on 1 July 2009 was £12.14m.

The net gain on sale of intangible assets in the year was £13.23m (2010: £5.71m). The impairment provision in 2011 and 2010 within the football segment reflects the Directors' view that the recoverable amount of the intangible asset is lower than the carrying value, as per Note 2(d) above, and recognises a write down to fair value less costs to sell. The valuation of players is based on an independent valuation carried out with reference to the market for player transfers. The impairment charge of £3.18m comprises one player of £0.76m whose contract expired during the year, one player with contract expiring within one year of £0.70m and four players with contracts expiring within two years of £1.72m.

### 17. INVESTMENTS

#### Subsidiaries

The Company's subsidiary undertaking continued to be Celtic F.C. Limited, the main activity of which is the operation of a professional football club.

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	Dormant
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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2011

#### Other Investments

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.

#### 18. INVENTORIES

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Raw materials	32	24	-	-
Finished goods	2,218	1,751	-	-
	<u>2,250</u>	<u>1,775</u>	<u>-</u>	<u>-</u>

Inventories written down during the year amounted to £0.26m (2010: £0.19m). Inventories of £nil (2010: nil) are carried at net realisable value.

#### 19. DEFERRED TAX ASSET

##### Group

The Group follows the accounting treatment for deferred taxation as prescribed in IAS 12 Income Taxes. At the balance sheet date the value of deferred tax asset was £6.90m (2010: £7.20m). This asset would be recoverable against future taxable profits of the Group. In addition advance corporation tax of £250,000 would be recoverable against future taxable profits of the Group, while the Group has an available capital allowances pool of approximately £14.55m (2010: £17.10m). In line with IAS 12 Income Taxes 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 because it is not considered probable that future taxable profits will be available against which these assets can be utilised in the foreseeable future.

##### Company

At 30 June 2011, the deferred tax asset not reflected in the Company's Financial Statements was £0.28m (2010: £0.56m).

#### 20. TRADE & OTHER RECEIVABLES

Receivables comprised:	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Trade and other receivables	5,870	7,327	14,002	14,224
Provision for doubtful debts (see below)	(34)	(482)	-	-
	<u>5,836</u>	<u>6,845</u>	<u>14,002</u>	<u>14,224</u>
Analysed as follows:				
Prepayments and accrued income	2,390	1,141	568	107
Related party receivables	-	-	11,287	10,204
Trade and other receivables	3,446	5,704	2,147	3,913
	<u>5,836</u>	<u>6,845</u>	<u>14,002</u>	<u>14,224</u>
<b>The movement in the provision for doubtful debts was as follows:</b>	<b>2011 Group £000</b>	<b>2010 Group £000</b>	<b>2011 Company £000</b>	<b>2010 Company £000</b>
Opening balance	482	163	-	-
Balances written off	(437)	(89)	-	-
Change in provision	(83)	348	-	-
Balances recovered	72	60	-	-
	<u>34</u>	<u>482</u>	<u>-</u>	<u>-</u>
Closing balance	34	482	-	-

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

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

Related party receivables reflects the intercompany balance between the Company and its principal subsidiary, Celtic F.C. Limited.

### 21. CASH AND CASH EQUIVALENTS

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Balances with banks	10,792	5,843	10,703	4,913
Cash on hand	26	24	-	-
Cash and cash equivalents	<u>10,818</u>	<u>5,867</u>	<u>10,703</u>	<u>4,913</u>

### 22. SHARE CAPITAL

	Authorised 30 June		Allotted, called up and fully paid 30 June			
	2011 No 000	2010 No 000	2011 No 000	2011 £000	2010 No 000	2010 £000
<b>Group and Company Equity</b>						
Ordinary Shares of 1p each	220,096	219,990	90,136	901	89,940	899
Deferred Shares of 1p each	495,754	490,609	495,754	4,957	490,638	4,906
<b>Non-equity</b>						
Convertible Preferred Ordinary Shares of £1 each	15,972	16,018	13,984	13,984	14,031	14,031
Convertible Cumulative Preference Shares of 60p each	19,283	19,293	16,783	10,069	16,793	10,076
Less reallocated to debt under IAS 32	-	-	-	(5,647)	-	(5,666)
	<u>751,105</u>	<u>745,910</u>	<u>616,657</u>	<u>24,264</u>	<u>611,402</u>	<u>24,246</u>

On 1 September 2010, 90,255 new Ordinary Shares of 1p each were issued in respect of mandates received from holders of Convertible Cumulative Preference Shares ("CCP Shares").

From 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 was determined by reference to the middle market price of Ordinary Shares in the three dealing days immediately prior to 1 September 2007. As a result each Convertible Preferred Ordinary Share converts into 2.08 Ordinary Shares and 97.92 Deferred Shares. As at 11 August 2011, the latest practicable date before publication, notices had been received in respect of the conversion of 1,600 Convertible Preferred Ordinary Shares.

Each Convertible Cumulative Preference Share of 60p carries the right, subject to the availability of distributable profits, to the payment of a fixed preference dividend equal to 6% (less tax credit deduction) of its nominal value, cumulative with effect from 1 July 1996. The first dividend was paid on 31 August 1997. Holders of Preference Shares of 60p are entitled to convert each Preference Share into one Ordinary Share of 1p and 59 Deferred Shares of 1p each. During the year ended 30 June 2011, 10,100 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 11 August 2011, the latest practicable date before publication no conversion notices had been received in respect of Preference Shares.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2011

<b>Reconciliation of number of Ordinary Shares in issue:</b>	<b>2011</b>	<b>2010</b>
	No. '000	No. '000
Opening balance	89,940	89,726
Shares issued re scrip dividend scheme	90	126
Shares issued re Convertible Preferred Ordinary Share conversions	96	86
Shares issued re Preference Share Conversion	10	2
	<hr/>	<hr/>
Closing Balance	<b>90,136</b>	<b>89,940</b>

<b>Reconciliation of number of Deferred Shares in issue:</b>	<b>2011</b>	<b>2010</b>
	No. '000	No. '000
Opening balance	490,638	486,460
Shares issued re Convertible Preferred Ordinary Share conversions	4,520	100
Shares issued re Preference Share Conversion	596	4,078
	<hr/>	<hr/>
Closing Balance	<b>495,754</b>	<b>490,638</b>

<b>Reconciliation of number of Convertible Preferred Ordinary Shares in issue:</b>	<b>2011</b>	<b>2010</b>
	No. '000	No. '000
Opening balance	14,031	14,072
Convertible Preferred Ordinary Share conversions to Ordinary and Deferred Shares	(47)	(41)
	<hr/>	<hr/>
Closing Balance	<b>13,984</b>	<b>14,031</b>

<b>Reconciliation of number of Convertible Cumulative Preference Shares in issue:</b>	<b>2011</b>	<b>2010</b>
	No. '000	No. '000
Opening balance	16,793	16,794
Convertible Cumulative Preference Share conversions to Ordinary and Deferred Shares	(10)	(1)
	<hr/>	<hr/>
Closing Balance	<b>16,783</b>	<b>16,793</b>

## 23 RESERVES

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 £390,000 (2010: £408,000) will remain non-distributable from this Other Reserve until such loans are repaid by the Company.

The Capital Reserve has arisen following the reallocation of an element of the Convertible Preferred Ordinary Share capital from equity to debt in line with the capital maintenance requirements of the Companies Act. This reserve increases as debt is repaid but will ultimately be reallocated to equity on the conversion of the Convertible Preferred Ordinary Shares to Ordinary Shares.

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

The profit for the year for the parent company was £0.13m (2010: £1.02m loss)

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2011

#### 24. BORROWINGS – Group and Company

<b>The Co-operative Bank</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Interest bearing liabilities	<b>11,344</b>	<b>11,719</b>
Interest	<b>1,315</b>	<b>1,506</b>
	<b><u>12,659</u></b>	<b><u>13,225</u></b>
<b>Interest payable as follows:</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Within 1 year	<b>191</b>	<b>191</b>
Between 2 and 5 years	<b>701</b>	<b>701</b>
In more than 5 years	<b>423</b>	<b>614</b>

The Interest bearing liabilities are represented by loans from the Co-operative Bank. These loans bear interest at London Inter-Bank Offered Rate plus 1.125%. The loans are floating rate loans and therefore expose the Group to cash flow risk. These loans form part of a £22.69m 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, land adjoining the stadium and at Westhorn and Lennoxton.

#### 25. TRADE AND OTHER PAYABLES

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Current portion of non-current borrowings	375	375	375	375
Other loans	130	136	130	136
Accrued expenses	12,284	12,756	7,926	7,664
Trade and other payables	3,532	3,222	2,566	1,950
	<b><u>16,321</u></b>	<b><u>16,489</u></b>	<b><u>10,997</u></b>	<b><u>10,125</u></b>

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

#### 26. DEFERRED INCOME

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Income deferred less than one year	<b><u>11,754</u></b>	<b><u>11,796</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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.

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Income deferred after more than one year	<b><u>142</u></b>	<b><u>183</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

Deferred income due after more than one year comprises elements of income, the cash for which has been received prior to the year-end in respect of the years beyond 2011/12.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

### 27. CAPITAL AND OTHER FINANCIAL COMMITMENTS

#### a. Capital commitments

	2011 £000	2010 £000
Group & Company		
Authorised and contracted for	-	107

#### b. Other commitments

At 30 June 2011 the Group had commitments under operating leases as follows:

	Land & Buildings		Other	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>Amounts payable:</b>				
Within 1 year	1,075	1,092	22	16
Between 2 and 5 years	3,058	3,691	13	9
In more than 5 years	1,232	1,800	-	-

Lease payments recognised in the income statement for the period amounted to £1.00m (2010: £1.00m).

#### c. Contingent 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. Such future conditions include first team competitive appearances, football success, international appearances and being a registered Celtic player at a certain point in time. Amounts in respect of such contracts at 30 June 2011 could result in an amount payable of £3.33m (2010: £2.82m), of which £1.88m could arise within one year and amounts receivable of £1.05m (2010: £0.11m), of which all (2010: all) could arise within one year.

	2011 £000	2010 £000
Group & Company		
<b>Conditions for triggering additional amounts payable:</b>		
Appearances	1,280	1,020
Success achievements	-	750
Appearances and success achievements	600	720
International appearances	-	40
Registered at a pre-determined date	1,455	300
	3,335	2,820
Number of players contingent transfer fee payable relates to	23	19

#### d. Cross guarantees

Cross guarantees exist between the Company and its subsidiary undertakings. The extent of these at 30 June 2011 was £nil (2010: £nil).

### 28. FINANCIAL INSTRUMENTS – Group and Company

The principal financial instruments during the financial year ended 30 June 2011 and as at the balance sheet date were trade receivables (Note 20) and payables (Note 25), bank borrowings (Note 24), cash and compound financial instruments (Note 22). The financial assets are trade debtors and cash. These are all categorised as loans and receivables. The financial liabilities are trade payables, bank borrowings other creditors and the debt element of the Convertible Cumulative Preference Shares. These are all categorised as financial liabilities measured at amortised cost.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2011

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

The principal risks arising from the Group's and the Company'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 and Company's exposure to foreign currency risk is minimal. Where appropriate, the Group and Company may hedge its position utilising forward contracts. The Group and Company benefitted from low interest rates during the year.

It is widely accepted that the economic conditions have not improved over the last year with several major banks continuing to receive financial support from the Government to continue to trade. To date Celtic has not seen a material impact on its business and subject to that there has been no change in financial risks from 2010.

#### Interest Rate Risk

The working capital of the Group and Company is funded largely by bank borrowings. The Group and Company has a £34.69m facility with the Co-operative Bank of which £12m is in the form of overdraft and £22.69m 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. £11.34m (2010: £11.72m) of the loan facility is required to be drawn down for the term of the facility agreement. In 2010/11, fixed rate periods were each for three months and the average balance on the loans was £11.53m (2010: £11.86m). During the course of the year the Group had an average credit balance on the overdraft facility of £4.93m (2010: £7.53m). The average overdraft rate applicable during the year was 1.50% (2010: 1.50%) and the average loan rate 2.00%, (2010: 1.84%). In terms of the overall risk management process, executive management liaise closely with advisers in managing the risk profile of the Group and Company. In times of interest rate volatility, executive management take advice as to the various instruments that may protect the Group and Company against increased costs, whether this be an interest rate cap, collar or other mechanism. No such mechanisms were utilised during the year nor in 2010.

Based on the average levels of debt in the year to 30 June 2011 it is estimated that a 1% increase in interest rates would result in a net increase in finance costs, and thus reduction in profit and equity of £0.06m (2010: £0.04m). The calculation in both years incorporates the terms and conditions of the agreement with the Co-operative Bank as noted above, the terms of which have not altered from 2010.

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 2010. The other loans of the Group and Company are interest free. It is the Group and Company policy to secure funding at the most cost-effective rates of interest available to the Group.

The maturity profile of the Group and Company's financial liabilities at 30 June 2011 and 30 June 2010 and details of applicable interest rates on these liabilities are disclosed in Notes 25 and 26.

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

Of the available bank facilities of £34.69m (2010: £35.44m), of which £22.69m is represented by long-term loans and £12m by overdraft, £23.34m (2010: £23.72m) remains undrawn at the balance sheet date as follows:

	2011 £000	2010 £000
Loans repayable within one year	375	375
Loans repayable between two and five years	1,500	1,500
Loans repayable in more than five years	9,469	9,844
Overdraft repayable on demand	12,000	12,000
	23,344	23,719

#### Credit Risk

Although the vast majority of individual transactions entered into with customers are low value, 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 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2011

As at 30 June 2011, £0.46m representing 13% of trade receivables of the Group of £3.45m were past due but not impaired (2010 : £0.37m, 6.54%) and £0.30m representing 14% of the trade receivables of the Company of £2.15m were past due but not impaired (2010: £0.03m, 0.8%). Group trade receivables of £0.03m (2010: £0.48m) were considered to be impaired at the year end. Details of trade receivables are included in Note 20. An analysis of trade receivables past due but not impaired is as follows:

Trade receivables:	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Up to 30 days past due	95	268	9	4
Between 60 and 30 days past due	15	15	6	3
Over 60 days past due	349	86	289	24
	<u>459</u>	<u>369</u>	<u>304</u>	<u>31</u>

The Group and Company are also exposed to credit risk through cash balances held with the Co-operative Bank and Allied Irish Bank as follows:

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Co-operative Bank	10,677	5,651	10,703	4,914
Allied Irish Bank	114	192	-	-
Sub total	<u>10,791</u>	<u>5,843</u>	<u>10,703</u>	<u>4,914</u>
Cash on hand	27	24	-	-
Cash and cash equivalents	<u>10,818</u>	<u>5,867</u>	<u>10,703</u>	<u>4,914</u>

The Group deposits surplus funds only in approved high quality banks in order to restrict credit risk to financial assets in the form of monetary deposits. However, throughout both 2011 and 2010, the Co-operative Bank was in a net lending position as £11.34m (2010: £11.72) of the available loan facility, as noted above, is required to be drawn down for the term of the facility agreement. To minimise any credit risk in respect of balances held with the Allied Irish Bank, such amounts are remitted to the Co-operative Bank on a regular basis.

#### Liquidity Risk

The financial liabilities of the Group and Company, principally trade payables and bank borrowings, are repayable in accordance with the respective trading and lending terms entered into by the Group. Trade payables are payable monthly in arrears where undisputed or alternatively in accordance with particular contract terms. As at 30 June 2011, 28% of trade payables of the Group were due to be paid within one month (2010: 54%) and 17% of trade payables of the Company were due to be paid within one month (2010: 40%). The average creditor payment period is 34 days (2010:34 days)

The maturity profile of the bank borrowings of the Group and Company is as set out in Note 24. Other loans held by the Company of £0.13m (2010: £0.14m) are repayable on demand.

The Group and Company prepare 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2011

#### Contractual maturity analysis for financial liabilities:

	2011 Group £000	2011 Group £000	2011 Group £000	2011 Group £000	2011 Group £000	2011 Group £000
	Due between 0 to 3 months	Due between 3 months to 1 year	Due between 1 to 5 years	Due after 5 years	In perpetuity	Total
Non-current borrowings	-	-	1,500	9,469	-	10,969
Trade and other payables	12,862	459	1,951			15,272
Current borrowings	130	-	-	-	-	130
Current portion of non-current borrowings	94	281	-	-	-	375
Convertible cumulative Preference Share dividends*	-	-	-	-	544	544
<b>Total</b>	<b>13,086</b>	<b>740</b>	<b>3,451</b>	<b>9,469</b>	<b>544</b>	<b>27,290</b>

	2010 Group £000	2010 Group £000	2010 Group £000	2010 Group £000	2010 Group £000	2010 Group £000
	Due between 0 to 3 months	Due between 3 months to 1 year	Due between 1 to 5 years	Due after 5 years	In perpetuity	Total
Non-current borrowings	-	-	1,500	9,844		11,344
Trade and other payables	11,204	4,230	-	-		15,434
Current borrowings	136	-	-	-		136
Current portion of non-current borrowings	94	281	-	-		375
Convertible cumulative Preference Share dividends*	-	-	-	-	544	544
<b>Total</b>	<b>7,869</b>	<b>4,511</b>	<b>1,500</b>	<b>9,844</b>	<b>544</b>	<b>27,833</b>

\* The amount above represents the annual amount payable in the future in respect of the Convertible Cumulative Preference Share dividends.

#### Compound Financial Instruments

The Company's non-equity Convertible Preferred Ordinary Shares are convertible to equity (Ordinary and Deferred) shares at the discretion of the shareholder. The conversion rate however will remain fixed as at 1 September 2007.

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% less tax credit.

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

The fair value of the Group and Company's financial assets and liabilities, as defined above, are not materially different to their book value with the exception of the debt element of the Convertible Cumulative Preference Shares, the fair value of which is considered to be £9.08m (2010: £9.08m). 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

### Capital management

The Group and Company's capital base is as set out in the Statement of Changes in Equity and in Notes 22 and 24 (Share Capital and Reserves respectively). It is the policy of the Board that trading plans should result in cash positive results, providing shareholder value and satisfying all dividend requirements. The bank borrowing facility of £34.69m is utilised to fund working capital. The Board consider carefully all significant capital projects and where necessary ensures that the funding of such is achieved through utilisation of the most appropriate funding mechanism whether borrowings or additional equity. The Board considers all these things by reference to projected costings and budgets, taking into account funding structures and sources and its overall objectives and policies to mitigate risk. Neither the Group nor Company is subject to any regulatory capital requirements.

### 29. POST BALANCE SHEET EVENTS

#### Capital expenditure

Since the balance sheet date further capital expenditure on intangible assets of [£1.64m] (2010: £7.58m) has been committed.

### 30. RELATED PARTY TRANSACTIONS

Celtic plc undertakes related party transactions with its subsidiary company Celtic FC Limited which are governed by a management services agreement. This agreement covers the recharge of certain direct expenditure and or income from Celtic plc to Celtic F.C. Limited and the rental of certain properties at Celtic Park to Celtic F.C. Limited. Amounts recharged in the year by Celtic plc to Celtic F.C. Limited was £18.97m (2010: £16.43m). The balance outstanding at the year end is disclosed in Note 20.

During the year Celtic F.C. Limited entered into a number of transactions, principally for the supply of goods and services, as part of its routine course of business, with organisations in which some Directors may have had an interest, as directors or shareholders of the other contracting party. Such transactions were conducted on an arm's length basis and were of an insignificant nature.

## CELTIC CHARITY FUND

Formed in 1995, Celtic Charity Fund formalised and revitalised our support of charitable causes, focusing on Brother Walfrid's founding principles of Celtic Football Club. Due to the fantastic support received in 2010/11, a total of £378,671 was donated to 96 charitable organisations, on behalf of the Celtic Family.

The Club is in the process of developing and implementing a new strategy, which we believe will significantly increase its fundraising capability. In doing so, an Acting Chief Executive was appointed in April 2011 with a remit to progress implementation of a new strategy and to appoint a permanent Chief Executive in due course. We believe these measures will deliver a step change in the Fund's ability to support registered charities in Scotland, Ireland and across the globe.

The Club's commitment to supporting worthy causes will be further enhanced in 2011/12 with the creation of a new Celtic Charity Fund Chief Executive role. In addition, we will look to increase the fundraising impetus with the implementation of a new strategy for the Charity Fund which, we believe, will deliver a step change in the Fund's ability to support registered charities in Scotland, Ireland and across the globe.

Fundraising activities in 2010/11 included:-

- The Celtic Charity Cup, Powerleague Glasgow – the fourth year of a 5-a-side tournament to raise money for Celtic Charity Fund.
  - Club Couture 2010 – the main beneficiary was Breast Cancer Care Scotland who received a donation of £10,000. The catwalk show featured 1st team players including Gary Hooper, Joe Ledley and Anthony Stokes.
  - Annual Sporting Dinner - a total of over £66,000 was generated on the night. The principal beneficiary – Teenage Cancer Trust - received a donation of £25,000.
  - 'Hoops in Your Heart' Badge Day - The Main Beneficiary of the event was Children's Hospice Association Scotland (CHAS) which received a donation of £7,500.
- Celtic Charity Abseil - over 130 participants got the opportunity to abseil off the roof at Celtic Park, while raising funds for charity. The main beneficiary was ChildLine Scotland, which received a donation of £10,000.

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 bids totalling far more than the funds we have available so the Trustees make decisions based primarily on each application's alignment with our principal and subsidiary areas of support:-

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

- Examples:-
- ***Barnardos Scotland*** – Our donation helped provide basic welfare support for around 200 homeless, exploited and/or vulnerable children and young people in Glasgow City Centre.
  - ***Cahoots NI*** – Our donation was used to fund the equipment and materials used in the 'Magic Medicine' programme, which is delivered in Northern Ireland children's hospices, hospitals, respite units and special schools.
  - ***Bliss Scotland*** - Our donation helped fund Family Support Activity in Scotland – free helpline and range of support and advice services.

### **PRINCIPAL 2 - Community action on drugs**

- Examples:-
- ***Children's Safety Education Foundation*** – Our donation provided 250 pupils at local schools with an Anti-Social Behaviour/Citizenship Safety Digital Media Programme.
  - ***FASA*** – Our donation went towards delivery of the 'Natural Highs' drug awareness programme for the most vulnerable young people.

**Greater Easterhouse Alcohol Awareness Project** – Our donation helped pay for health information related to alcohol.

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

Examples:- **The Rural College and Derrynoid Centre** - Our donation funded a residential programme.  
**University of Glasgow, Faculty of Education** – Our donation supported delivery of the 'Beyond Sectarianism – New Thinking for a New Generation' Project.  
**Scottish Refugee Council** - Our donation funded 5 community events to celebrate diversity and raise awareness of refugee issues.

### **SUBSIDIARY 1 - Supporting the homeless**

Examples:- **CrossReach Kirkhaven Service** – Our donation supported renovation of the healthy activities area.  
**Homeplus NI Ltd** – Our donation went towards food, clothing and vehicle expenses for a drop-in centre for homeless foreign nationals.  
**Starter Packs Glasgow** – Our donation would go towards the cost of purchasing duvets, blankets, pillows, basic cooking utensils, toiletries, sanitary and cleaning products.

### **SUBSIDIARY 2 - Helping the unemployed**

Examples:- **Moorpark Youth Centre** – Celtic's donation helped fund a 10 week pilot project to support individuals who are unemployed, homeless, and vulnerable.  
**Tomorrow's People** – the donation helped fund 'Past Present' – a local history project that will the issues that have led to sectarianism in the East End.  
**Fairbridge in Scotland** – Our donation helped fund two 'Barriers' courses in Glasgow, which challenge sectarianism, racism, territorialism, intolerance and prejudice.

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

Examples:- **Good Child Educational Foundation** – Celtic's donation was used to purchase teaching aids, educational materials and sports equipment.  
**Concern Worldwide** – Our donation contributed to running Quetta Working Children's Project in Pakistan, which aims to protect basic rights and give better access to healthcare and education.  
**LEPRA Health in Action** – Our donation was used to care for children in parts of India who have leprosy.

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.

Every penny raised is given back to worthy causes

If you wish to support Celtic Charity Fund, please contact:-

Jane Maguire, Celtic Charity Fund, Celtic Football Club, GLASGOW, G40 3RE  
Tel:- 0141-551 4262      Email:- [janemaguire@celticfc.co.uk](mailto:janemaguire@celticfc.co.uk)