

# Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2014

TUESDAY



\*S3KW38KR\*

SCT

18/11/2014

#174

COMPANIES HOUSE

## CONTENT

Summary of the Results	2
Directors, Officers and Advisers	3
Chairman's Statement	4
Chief Executive's Review	5
Strategic Report	7
Directors' Report	20
Corporate Governance	25
Remuneration Report	29
Directors' Responsibilities Statement	33
Five Year Record	34
Independent Auditor's Report to the Members	35
Consolidated Statement of Comprehensive Income	36
Consolidated Balance Sheet	37
Company Balance Sheet	38
Statements of Changes in Equity	39
Consolidated Cash Flow Statement	40
Company Cash Flow Statement	41
Notes to the Financial Statements	42
Celtic FC Foundation	68

# Celtic plc

## CHAIRMAN'S STATEMENT

### SUMMARY OF THE RESULTS

#### Operational Highlights

- Winners of the SPFL.
- Participated in the UEFA Champions League, having played 6 home European matches (2013: 6).
- 28 home matches played at Celtic Park (2013: 30).
- Scottish Cup Final and SPFL League Cup Final held at Celtic Park.
- The Celtic Way officially opened in May 2014.
- Successful hosting of the Commonwealth Games opening ceremony.

#### Financial Highlights

- Group revenue decreased by 14.6% to £64.74m (2013: £75.82m), in part due to the £100 reward on season tickets.
- Operating expenses (excluding exceptional operating expenses) decreased by 4.5% to £59.89m (2013: £62.71m).
- Investment in football personnel of £8.07m (2013: £9.67m).
- Year end net cash at bank £3.83m (2013: £3.76m).
- Exceptional costs of £4.66m (2013: £1.83m).
- Profit before tax £11.17m (2013: £9.74m).
- New long term bank facility agreement.

# Celtic plc

## ANNUAL REPORT

### YEAR ENDED 30 JUNE 2014

#### DIRECTORS, OFFICERS AND ADVISERS

##### Directors

Ian P Bankier (Chairman)  
Thomas E Allison\*§  
Dermot F Desmond\*  
Peter T Lawwell (Chief Executive)  
Ian P Livingston\* (Lord Livingston of Parkhead)  
Eric J Riley (Financial Director)  
Brian D H Wilson\*  
Brian Duffy\* (resigned 30 June 2014)

\* Independent Non-Executive Director

§ Senior Independent Director

##### Company Secretary

Michael Nicholson

##### Company Number

SC3487

##### Registered Office

Celtic Park  
Glasgow, G40 3RE

#### Directors of The Celtic Football and Athletic Company Limited

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

##### Auditors

BDO LLP  
4 Atlantic Quay  
70 York Street  
Glasgow, G2 8JX

##### Solicitors

Pinsent Masons LLP  
141 Bothwell Street  
Glasgow, G2 7EQ

##### Bankers

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

##### Remuneration Committee

Thomas E Allison (Chairman)  
Ian P Bankier  
Brian D H Wilson  
Brian Duffy (resigned 30 June 2014)

##### Audit Committee

Ian P Livingston (Chairman)  
Dermot F Desmond  
Brian D H Wilson  
Brian Duffy (resigned 30 June 2014)

##### Nomination Committee

Ian P Bankier (Chairman)  
Thomas E Allison  
Dermot F Desmond

##### Football Manager

Ronny Deila

##### Stockbroker and Nominated Adviser

Canaccord Genuity Limited  
88 Wood Street  
London, EC2V 7QR

##### 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 pleasing set of annual results arise principally because we have enjoyed a second consecutive season winning our home league and participating in UEFA Champions League football, together with an increased contribution from the disposal of player registrations during the year. The momentum accumulated from two such seasons has placed us in a strong financial position going forward. I pay tribute to Neil Lennon and his management team, who left the Club in May, and thank them for their contribution and the success achieved during their time with the Club.

Whilst the short term objectives of the Company are dominated by our day to day success as a Club on the park, the chief role of the Board is to ensure that the long term future of the Club, and the Company, is secured. Ensuring the long term security of this Club is a process of maximising the potential of the present and managing the risks of the future. The Board is highly conscious of the financial environment in which we play football here in Scotland. The harsh reality is that the total income from broadcasting rights available to the Scottish game is a tiny fraction of what is available to our neighbours in England.

Within this context and in the face of these hard facts, the Board has evolved the strategy that the Club, financially, has to adopt a self-sustaining model. In plain words, we have to live within our means. We cannot spend money that we don't have. This is the only way to discharge our fundamental duty to protect the future of this great Club for our fans and for future generations of Celtic fans. Despite all of this, we share the fans' disappointment over the failure to qualify for the group stages of the UEFA Champions League this year.

Obviously, we work very hard to employ the funds we have to allow the manager and the team to produce the best football results they can. We do our utmost to acquire the best players we can within our financial constraints and the manager and the football operation use their best efforts to develop these players along with the talented players produced by our Youth Academy. We fully support our Chief Executive and his team as they manage this delicate and often difficult balance. There is no other way to manage a sustainable football club in Scotland.

As a result of these constraints, we are committed to improving the football environment in which we play. We are represented at the highest levels of Scottish and European football by our Chief Executive, who is a board member of the European Club Association and the Scottish Football Association as well as being a member of the Professional Game Board of the Scottish FA, and by our Financial Director, who is a board member of the Scottish Professional Football League and a member of the European Club Association's Finance Committee.

This year also saw the creation of Celtic FC Foundation, the merger of Celtic Charity Fund and the Company's Community Foundation Department to become a new, stronger charity with a wider role and greater reach. In keeping with the charitable principles and heritage of the Company, we are delighted to support Celtic FC Foundation as it delivers change and purpose to the Celtic Family and beyond.

The Foundation's priority is to provide assistance to those who face daily challenges within its key priority areas: health; equality; learning and poverty. In addition, support is offered in the form of delivery and/or partnership to external charities and other organisations who offer value in the community and whose principles fit within these key priority areas.

As we look forward to the year to come, I am delighted to welcome Ronny Deila to Celtic. The Board is fully supportive of the philosophy and long term approach of the coaching team. We look forward with anticipation to the development of a new team on the pitch that will, no doubt, feed from the passion and dedication of our supporters, and to the continued development of the Club to maintain stability and success for the long term.

I thank each and every one of our fans, sponsors, partners and shareholders for their continuing commitment to this great institution.

**Ian P Bankier**  
**12 September 2014**  
**Chairman**

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

The year ended 30 June 2014 saw success on and off the pitch and the beginning of a transition for Celtic, which I am sure will build on the good work of previous years, delivering stability, growth and success for the future.

Our core business strategy is focussed on a football operation with a self sustaining financial model and relies upon: the youth academy; player development; player recruitment; management of the player pool; and sports science and performance analysis; to deliver long term, sustainable football success. The Board reviews our strategy on an ongoing basis and we believe that it continues to support the stability and growth of the Club in the short and long term. Our year end cash at bank position has increased slightly to £3.83m (2013: £3.76m), however it should be noted that, during the year, fluctuating cash requirements mean that we are in a net debt position, which peaked at £6.50m during 2013/14.

The Club won the inaugural Scottish Professional Football League Premiership, securing the league title on 26<sup>th</sup> March, the earliest that the top division had been won in 85 years. Despite disappointing results in the domestic cup competitions, our qualification for the group stages of the UEFA Champions League contributed to a successful season for the Club, one that would come to be the last for Neil Lennon. Adding to the honours that he won as a player, Neil's time as manager of Celtic was a great success, supported by Johan Mjallby and Garry Parker. I thank them for their commitment to Celtic and to the success that we have enjoyed.

Our Youth Academy enjoyed another very impressive year, with teams participating in the UEFA Youth League and experiencing domestic success including the SPFL Under 20 League (for the fifth time in a row), SPFL Under 19 League, the SPFL Under 19 League Cup and the Glasgow Cup (Under 17s). During the year, we were delighted to see the continued emergence of first team players from the Academy squads, which is so important to the culture of the Club. The partnership between the Youth Academy and St. Ninian's High School in Kirkintilloch continues to grow, with development of talent on the pitch and in the classroom producing young players ready to move on to full time football.

The continued commitment of our supporters, shareholders, partners and colleagues is reflected in a successful year for ticket sales, stadium operations, catering and hospitality, merchandising, multimedia and commercial activities. This continued support is appreciated and not taken for granted. We are committed to the development of the Celtic brand, including the improvement of the match day experience for our supporters at Celtic Park, which is at the heart of our ongoing strategy.

The opening of the Celtic Way and the development works around Celtic Park was a milestone for the Club and marked the end of a long term project to assemble and develop the land around the stadium for the benefit of the Club, our supporters and the local community. These developments were completed in time for the Club to host the SPFL League Cup Final, the Scottish Cup Final and, after the year end, the Opening Ceremony of the Glasgow 2014 Commonwealth Games. Celtic Park and the Celtic brand were showcased on the world stage. We will do all that we can to capitalise on that, adding value for the future.

In June 2014 the appointment of Ronny Deila, a young manager with progressive ideas, marked the beginning of a period of transition for the Club. The Board will support Ronny and his coaching team in the transfer market and in the development of the football operation generally. The Board's commitment is clear. The Board will re-invest every penny received back into the Club for the longer term. We will continue to invest, not only in our own academy but also to scour the world for talent to develop and to make a difference at the Club. We cannot, however, put into jeopardy the long term future of this Club or its supporters with reckless spending. Costs must be managed, particularly given the challenges presented in the Scottish football environment. Improvement in the football environment in which the Club plays remains an important element of our strategy.

The recent result in the qualifiers for the group stages for the Champions League and some results in the SPFL have been disappointing. Football success is crucial to the Club, but the experience of the appointments of Martin O'Neill, Gordon Strachan and Neil Lennon shows us that time is needed to develop through periods of transition. Each of those managers developed into great managers of the Club. One of Ronny Deila's main strengths is developing players and he is excited by the young talent that we have at the Club, including graduates from our Youth Academy, for example Callum McGregor, Liam Henderson and Eoghan O'Connell, and seven new players joining this summer. Although Fraser Forster, Georgios Samaras and Tony Watt left the squad that completed last season, we feel that our squad has grown in strength and depth. We are sure that, with the support of the Club and its supporters, Ronny will deliver a team that we can all be proud of.

# **Celtic plc**

## **CHIEF EXECUTIVE'S REVIEW**

The main objectives for the forthcoming season are success in all three domestic competitions and the UEFA Europa League, playing creative and exciting football, and to build a team for the qualifiers of the UEFA Champions League next year. I am confident that, with the strong base that the Club has developed over previous years, and with the continued support of our supporters, partners and colleagues, these objectives will be achieved.

**Peter Lawwell**  
**12 September 2014**  
**Chief Executive**

# Celtic plc

## STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30 June 2014.

### STRATEGY AND BUSINESS MODEL

The Group's objective is to create a world class football club.

Our strategy and business model for growth is focused on three key areas:

Core Business – football operation with self sustaining financial model, relying upon: youth academy; player development; player recruitment; management of the player pool; sports science and performance analysis; and football success.

Development of the Celtic Brand, incorporating the Celtic Park Masterplan and the development of international revenues.

Improvement in the football environment in which Celtic plays, and representation within football governance and administration at domestic and European level.

### THE BUSINESS REVIEW

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 a 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.

The Group is organised into 3 main operating divisions being 1) Football and Stadium Operations, 2) Merchandising and 3) Multimedia and Other Commercial Activities. The financial results of these divisions are reported in note 3 to the Financial Statements. Football and stadium operations includes all revenue and costs in relation to all football operations, ticket office, stadium and youth development. Merchandising includes all retail, wholesale and mail order activities. Multimedia and other commercial activities include all other revenue generating departments.

The operation of a professional football club encompasses a wide range of activities including: football operations and investment; operation of the Celtic FC Youth Academy; match ticketing; merchandising; partner programmes, marketing and brand protection; multimedia; stadium operations, facilities and property; catering and hospitality; public relations and supporter relations; and human resources.

### 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
- Shareholder value

The Group operates with a 5 year plan which is updated and reviewed on an annual basis. A detailed budget is prepared and approved by the Directors in advance of each trading year. The budget identifies all the key performance areas noted above. The actual performance of the Group is then monitored against the budget with particular emphasis against the key performance indicators.

Monthly management accounts are prepared highlighting performance against budget and the prior year. Actual and forecast performance is fully considered at the regular Board meetings. Management meetings are held to discuss actual and forecast performance with future action agreed accordingly. On a weekly basis performance is noted on a series of key performance indicators and a number of key indicators are monitored on a daily basis at certain times of the year, including cash and share price.

A review of performance of the Group, particularly in relation to football success and match attendance statistics, and a review of the sales performance, wage and other costs, capital expenditure and profit and cash generation of each operating division is outlined in this Strategic Report.

# Celtic plc

## STRATEGIC REPORT

### FOOTBALL AND STADIUM OPERATIONS

#### FOOTBALL SUCCESS: FOOTBALL OPERATIONS AND INVESTMENT

2013/14 was the first season of the Scottish Premiership, part of the newly formed Scottish Professional Football League, created after the merger of the Scottish Premier League and the Scottish Football League. On 26 March 2014, Celtic Football Club clinched their 3rd title in a row and 45th in total after a 5-1 away win against Partick Thistle. This was the earliest that the title had been won for 85 years. The Club finished with 99 points, 29 ahead of nearest rival Motherwell and losing only one league game in the process, away at third placed Aberdeen.

The Club's record in the domestic knock-out competitions was disappointing, losing to Aberdeen in the fifth round of the Scottish Cup, and to Morton in the third round of the League Cup.

Having qualified for the UEFA Champions League group stages for the second season in succession, the Club competed well in a very challenging group featuring Barcelona, AC Milan and Ajax, unfortunately failing to qualify for the last 16 following that success in the previous season.

Kris Commons was the SPFL's top goal scorer with a total of 32 goals during the season; he subsequently received both the PFA Scotland and Football Writers' Player of the Year Awards.

May 2014 saw the departure of manager Neil Lennon after four very successful years as manager of the Club. Around the same time, Neil's assistant manager, Johan Mjallby, and first team coach, Garry Parker, also left the Club. We thank them for their enormous contribution to the Club over the past 4 years and wish them every success in their future careers. Following a careful selection process, the Company was delighted to appoint highly-regarded young Norwegian manager Ronny Deila from Strømsgodset, as the manager of Celtic Football Club, with the experienced former Celtic player, John Collins, appointed to assist him.

The Club continued to invest in strengthening the first team squad, recruiting a number of players from across Europe, including Derk Boerrigter, Teemu Pukki, Nir Bitton, Stefan Johansen, Leigh Griffiths, Amido Balde and Virgil Van Dijk. In addition to our new signings, other senior players signed contract extensions, including Efe Ambrose, Anthony Stokes, Emilio Izaguirre and Mikael Lustig.

Over the same period, a number of players departed the Club, including Gary Hooper, Victor Wanyama, Kelvin Wilson, Joe Ledley, Georgios Samaras, Steven Mouyokolo and Mo Bangura. Significant income was brought into the Club as a consequence of transfer fees received.

In addition, and to assist their development, a number of players had loan spells away from Celtic. These included Callum McGregor and Tom Rogic who have now returned to the Club.

The need for prudent ongoing management of the player pool remains apparent. Nevertheless, the strength in depth we possess enabled us once again to cope with the inevitable absence through injury of key players at various times during the season.

#### FOOTBALL SUCCESS: YOUTH ACADEMY

The development of our young players remains a fundamental part of the Club's strategy.

A key element of our strategy is the partnership between Celtic Youth Academy and St Ninian's High School in Kirkintilloch, which is about to enter its sixth year. This partnership continues to grow and develop with the fruits of the programme yielding players ready to move on to full time football. The initiative is producing pleasing results in the development of young people on the football pitch and in the classroom.

Another measure of the success of the programme is that we have a very high recognition at international level across four age groups. The combination of football and school education is proving to be a huge success, with both teaching and football staff finding the programme energising and exciting. We have seen the emergence of first team players from the Academy squad, including Darnell Fisher, Paul George, Marcus Fraser, Joe Chalmers and John Herron. Liam Henderson is currently playing regularly for the first team and Calum Waters, Calvin Miller and Aidan McIllduff have all made their first team debuts in friendly matches.

# Celtic plc

## STRATEGIC REPORT

This season, although comprising a high percentage of young players, the Development squad won the SPFL U20 League (previously the SPL U20 League) for the fifth time in a row. In addition, competition in the UEFA Youth League in 2013/14, which mirrors the Champions League structure, afforded our young players the opportunity not only to play against some of the top youth talent in Europe, but also to travel and experience football at an international level.

Our youth development squad ended the year as treble winners not only winning the SPFL U19 League but also at U17 level, defeating Rangers 1-0 in the Glasgow Cup played at Celtic Park, and by defeating Ayr United 2-1 in the U19 SPFL League Cup at Somerset Park.

This forthcoming season, 2014/15, there are seven players who will join the Club on full time professional contracts from the U16 squad (Intermediate Academy). In addition, two players offered full time contracts have opted to stay on at school to further their education.

A strategic link between Celtic Youth Academy and Positive Coaching Scotland has been a huge success. The Academy now delivers a series of Positive Coaching presentations to players and parents to highlight the need for commitment and a positive approach to the development of youngsters.

During the year, Celtic Development Pools Limited, which does not form part of the Group, continued to be the top football club lottery organisation in Britain and one of the most successful in the charity lotteries sector, donated around £770,000 to the Company's Development Division for the purposes of Youth Development, with supporters from all over the country sharing over £700,000 in prize money. The cost of a weekly stake has remained fixed at £1 for 19 years, although the weekly "Celtic Pool" continues to outperform comparable products in a challenging environment. Prize money of nearly £3.5m has been paid to Celtic Supporters at Celtic Park by Celtic Development Pools Limited since the "Paradise Windfall" began in 1995, with £326,000 paid out last season and a top prize of £20,000 paid at the match against FC Barcelona on 1 October 2013.

### MATCH ATTENDANCE STATISTICS: TICKET SALES

2013/14 was a successful season for ticket sales. Over 41,000 season tickets were sold, with a value of almost £11million. The ongoing support of our season ticket holders is fantastic, and much appreciated.

The Club maintained the level of season ticket prices for season 2013/14, which included a £100 reward to adult Season Ticket holders for their continued support. We continue to offer the popular concession season ticket prices of £50 for children under 13, £105 for 13-16 year olds and £186 for 17-18 year olds for Season 2014/15. The Club has also introduced a new student ticket price of £199. Our season ticket pricing has been well received by supporters and season ticket sales for the forthcoming season are most encouraging.

An exciting UEFA Champions League campaign contributed to home match ticket sales of over 255,000 with a value of over £6.4 million.

In 2013/14, the Ticket Office relocated from Kerrydale Street to its new location in Davaar Street at the rear of the Celtic Superstore. We also introduced two information booths, situated at the rear of the Jock Stein and Lisbon Lions Stands, to assist supporters with match day queries. These new developments have been warmly welcomed by supporters.

### STADIUM

During the course of the year, the Club continued to enhance its close liaison and partnership with Glasgow City Council Safety Advisory Group for Sports Grounds. Spectator safety is of paramount importance and the Club continues to invest in this crucial area.

The training of colleagues responsible for public safety duties continued to be developed. The Club's matchday safety officers, who are responsible for the management of spectator safety, are fully qualified and accredited in compliance with Edition 5 of the Guide to Safety at Sports Grounds ('the Green Guide'). In addition, matchday safety stewards are also qualified in compliance with the Green Guide. The Club's stewards participate in an accredited training programme, leading to an SVQ Level 2 in Event Stewarding and further training focusing on service and customer care issues has been provided to our stewards to enhance the matchday experience at Celtic Park. Newly branded stewarding uniforms with clearer identification will be in place for season 2014/15.

# Celtic plc

## STRATEGIC REPORT

In addition to hosting the SPFL League Cup Final and the Scottish FA Cup Final successfully, since the end of the year Celtic Park successfully hosted the Opening Ceremony of the 2014 Commonwealth Games. The Club was heavily involved in the event planning process during the year, particularly with regard to the safety of spectators and participants visiting our stadium. Group company Protectevent Limited, as an approved contractor for Glasgow 2014, supplied our in-house stewards for the Opening Ceremony and other associated events linked to the Glasgow Commonwealth Games. This resulted in additional training targeting safety and customer service issues for our matchday stewards.

During March 2014, the Club was delighted to host the Football Safety Officers Association Scotland seminar at Celtic Park. The seminar considered matchday issues relating to spectator safety, including the concept of 'rail seating' to enhance the safety of fans who wish to stand during matches. The seminar attracted a range of expert speakers and was well attended by safety practitioners from across Scotland and beyond.

### FACILITIES AND PROPERTY

The facilities operation based in the stadium oversees the maintenance regime across the three main sites – Celtic Park, Lennoxton and Barrowfield.

The facilities team has continued to perform to a high standard to maintain and operate a safe stadium environment, which complies with all regulatory standards. We continue to invest to meet these standards and prevent deterioration of the building fabric. Health and safety continues to be our main priority. Significant improvements have been made to matchday functions during the year, including the fire and CCTV system, to ensure ongoing safe operational use. In addition, we continue to strive towards energy reduction with the TREND building management system.

The Club continues to support and enhance its IT infrastructure with the continued development of the stadium Wi-Fi system and improvements to payment card security for the match ticketing business. The IT department continue to support the business and matchday operations.

During the year, a new era for the Club was marked with the completion of works to the public realm around the stadium, including major renovations to the front of the stadium and the opening of The Celtic Way in May 2014. The London Road School and Celtic's ticket office were demolished to make way for this important step in the Club's progress. The Club has also successfully secured ownership of 'The Celtic Triangle', bordered by London Road, the Clyde Gateway, Janefield Street and Springfield Road, securing the area around the stadium for future development.

### CATERING AND HOSPITALITY

During the summer of 2013, two North Stand hospitality lounges were refurbished and re-branded, which helped improve sales in both of these areas. The programme saw the re-branding of The Captains Table facility to 'Cafe 1888', where the Club introduced a new and vibrant style of matchday hospitality that proved to be popular among our clients and assisted in attracting both new business and lapsed clients back to the Club. The Investor Club and Business Class areas were also re-branded at this time, bringing them under the 'Club Celtic' brand.

Overall, seasonal sales performed well, with sales for the UEFA Champions League particularly buoyant, achieving record sales across three group stage games.

The two domestic cup finals hosted at Celtic Park were both well attended in the hospitality areas, particularly the SPFL League Cup Final in March.

The Number 7 Restaurant has continued to perform well for Sunday lunches, which remains the strongest dining day. The annual Player of the Year event held in the Thistle Hotel was also received well with 850 people in attendance.

A major success during the year was the successful tender to provide all catering services for the Opening Ceremony of the Commonwealth Games on 23 July, including all catering services for the substantial workforce attending Celtic Park from May onwards.

Celtic Park stadium tours have continued to perform well, with many visitors from all over the world enjoying the Celtic story.

# Celtic plc

## STRATEGIC REPORT

### MERCHANDISING

Merchandising revenue for the year reached £13.52m. There were three kit launches during the year, with the tartan away kit launch at the end of the current year in June 2014.

A Christmas DVD, "Euro Nights", was released last November and an end of season DVD, "Three in a Row", was released charting the 2013/14 season. In addition, an "Official History" book written by Brian Wilson was also released prior to Christmas.

The store in East Kilbride has been relocated to a larger unit in Princes Square within East Kilbride Shopping Centre, and the Superstore at Celtic Park was refurbished internally and externally over the past year.

In terms of new product developments, a "Celtic Park" range of merchandise has been introduced to appeal to the tourist market. Meanwhile, personalised granite paving stones continue to be a success and the plans are to expand the offering to tie in with "The Celtic Way".

### MULTIMEDIA AND OTHER COMMERCIAL ACTIVITIES

#### PARTNER PROGRAMME

The Club embarked on a successful first year of its relationship with Magners during season 2013/14. One of the highlights of the first year included the Magners Charity goals initiative, which generated over £18,000 for the Celtic FC Foundation.

Nike continues its important role as kit supplier, while Phoenix Honda remains Celtic's car supplier and sponsor. Long-standing relationships with Ladbrokes, Coca-Cola and Powerade continue to highlight the power of the Celtic brand.

The Club has delivered a new sponsorship revenue stream with Stubhub, an Ebay company, and partnership extensions have been confirmed with E-lites, Barclay Communications and Radio Clyde.

Following the launch of CelticFCTravel in September 2013, the Club successfully delivered an official fan travel service for all UEFA Champions League group games. All Club travel is now handled internally with plans to develop inbound travel services for visiting fans and clubs well underway.

Internationally, the Club continues to develop its commercial presence with the set objective of securing international partners to grow revenue. The demand for social media and digital platforms focused on fan engagement from partners and potential partners continues to grow.

Our relationship with Santos Laguna in Mexico remains strong as we continue to work on new areas of collaboration. While our successful partnership with the Mahindra Football Challenge comes to a natural conclusion we remain keen to develop our presence in this market and have had several conversations with Indian Super League and I-League teams about potential partnerships. In China, we continue to develop our market strategy with help from a local agency providing several productive meetings with both companies and football clubs in the region. Furthermore we are now working to develop a new strategy for the US market.

Overall, the sponsorship landscape remains extremely challenging. The existing business environment and economic difficulties continue to impact upon companies' advertising and marketing budgets. Despite this, the Club continues to pursue new business opportunities domestically and internationally to enhance revenues.

### MARKETING

Celtic's central marketing operation is key to the revenue generation of the Club's core commercial functions including: match ticketing; events, catering and hospitality; and merchandise sales across our retail operation.

The BeCeltic Season Ticket campaign for 2013/14 succeeded in establishing growth in overall season tickets purchased versus the total for the previous campaign. Set against an increasingly challenging market place, the campaign marked a change in marketing strategy with new media and digital communication now at the forefront of our fan engagement planning. The BeCeltic campaign was also one of two marketing campaigns in the last 12 months to pick up marketing industry awards.

Successful partnership marketing campaigns were also devised at various points in the season in tandem with Magners, Nike, Phoenix Honda and a host of other brands deriving commercial and brand equity benefit to the and its sponsors.

# Celtic plc

## STRATEGIC REPORT

The evolution of the Club's brand strategy allied to the targeted growth in brand value continues to be a key focus. Marketing has played a pivotal role in projects like the development of The Celtic Way and the rebranding of Celtic Park including the Celtic Superstore and the new Ticket Office. The 'Celtic 2014' campaign has communicated the many prestigious events to take place at Celtic Park this year leading to Celtic Park being nominated for a Stadium Business Award in June alongside Paris Saint Germain, Manchester City and Chelsea FC.

Celtic's brand also rose from 44<sup>th</sup> to 37<sup>th</sup> in the annual report published by Brand Finance for 2014, which lists the world's 50 most valuable football brands. This growth has been aided by the value extracted from the Club's participation in the UEFA Champions League, the growth in audiences across all our official digital Club channels and the work to develop Celtic's fan base in emerging international territories.

### BRAND PROTECTION

The Club is ever vigilant in respect of rogue companies and individuals looking to divert income and traffic from official Club partnerships and channels. By protecting the brand on a worldwide basis, we continue to prevent unauthorised use by third parties, ensuring the Celtic brand remains a valuable Club asset and helping to combat the loss of revenue and reputation.

### MULTIMEDIA

Our digital transformation has continued at pace this season with the successful launch of two new fully responsive web platforms for Celticfc.net and Celticfc.tv. These mobile enabled sites ensure that the Club is at the forefront of the seismic online shift from traditional laptops and pc's to mobile and tablet devices. Additionally, Celtic TV has continued to grow its subscriber base, expanded its routes to market and widened its coverage including live broadcasts of the entire pre-season tour of Austria and the UEFA Youth League for season 2013/14.

The Club also continued to invest in new ways of interacting with our supporter base, leading the way in British football with the award winning CelticLive proposition, including the Fan Companion App and Stadium WiFi. Our social media strategy has developed rapidly this year, with huge audience and engagement growth across all of our platforms, particularly on Facebook, where the Club exceeded the one million fans mark. We also launched our Google Plus platform in June, partnering with Google to successfully stage a world first live Google Plus hangout from a pre-season tour with new manager, Ronny Deila.

Over the last year, Multimedia has continued to deliver and support key events for the Club, including the staging of significant one off events such as the Stiliyan Petrov Charity match, the SPFL Cup Final and the Scottish Cup Final.

### PUBLIC RELATIONS

Once again, the Club experienced a high level of media interest and activity throughout the year across domestic and international 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 in 2013/14, including commercial, charitable and community events.

The PR Department also acts as an important liaison between the Club, its supporters and supporters' organisations, and manages a range of initiatives ensuring that the Club upholds its important social dimension.

### SUPPORTER RELATIONS

In July 2013 the Club created the position of Supporter Liaison Officer (SLO). The position, which is also compliant with UEFA guidelines, provides a point of contact for fans to link directly with the Club. The objectives of the role are to deliver value to the Club and its fan base by quickly identifying issues important to both parties and to assist in resolving any questions or concerns. In the year ending 30 June 2014 there were nearly 32,000 emails exchanged between supporters and the Club's SLO, along with over 4,000 Tweets.

The SLO has engaged regularly with supporters' groups both official and unofficial and these relationships will be maintained in the year ahead. The SLO has now developed and produced a Fan Service Charter, which outlines the standards which we believe all our supporters should expect from interaction they have with the Club. The Club has also introduced a complaint handling process, which allows the SLO to receive important feedback, identify key trends and escalate if required.

# Celtic plc

## STRATEGIC REPORT

The SLO has been involved in a number of fan initiatives over the season and is continuing to identify areas where Celtic can improve on its overall fan experience. The goal is to demonstrate our commitment to deliver a truly world class football club, which continues to have the best interests of our supporters at the forefront of all that we do.

The SLO can be contacted at [jptaylor@celticfc.co.uk](mailto:jptaylor@celticfc.co.uk), 0141 551 4209 or on Twitter @CelticFCSLO

### HUMAN RESOURCES

Celtic retained its Investors in People status following reassessment in December 2013. It remains the only professional football club in Scotland to hold this prestigious award, having first been accredited in 2007. The Club has put together an action plan in conjunction with our Investors in People Assessor, to ensure employee voices are heard and acted upon as we strive to uphold high levels of employee engagement and to be an employer of choice.

The Club has continued to support our community by facilitating work experience placements for school-aged children, 14 to 16 years old. We arranged for 20 pupils in the past year to participate in a week-long placement. Placements give children valuable exposure to the world of work and an exciting insight into the Club. Pupils are given the opportunity to work in a variety of departments to help them gain a range of skills that they can take forward into their future careers.

The creation of the role of Safeguarding Manager in 2013 as part of the Human Resources team has ensured the Club upholds and promotes best practice in the area of child protection, with ongoing training and policy review an integral part of our business planning and processes.

Celtic complied with pensions automatic enrolment obligations, implementing statutory arrangements with effect from the start of the calendar year.

The Club places great importance on Health and Safety within the work place. Throughout the year, we have ensured that staff training receives top priority in this vital area.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group and that the Board considers are 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 the unpredictability of match 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.

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.

# Celtic plc

## STRATEGIC REPORT

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*

Due to the application of football regulations the opportunity to acquire or dispose of player registrations occurs, subject to limited exceptions, only during 2 registration windows of specified duration each year. The time pressures that arise in the run-up to the closure of the windows can have an impact on the outcome of negotiations. Players are readily mobile, particularly when out of contract or nearing the end of their contracts, and have 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. The availability of players can change at very short notice. In addition, there is a risk that a change in football regulations, or the application of national laws to those regulations, may impact on the player registrations held by the Group.

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) *Matchday attendances*

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

Poor football results, the nature and quality of opposition, 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 Professional Football League sells domestic broadcasting rights centrally. The Group is entitled to a share of SPFL 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 and may be subject to conditions over which the Group has little, if any, control. Participation in other competitions, such as UEFA Champions League or UEFA Europa League, also leads to additional revenue being received. The extent of this revenue 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.

# Celtic plc

## STRATEGIC REPORT

### (v) *Financial Risk*

At 30 June 2014, the Group has access to a debt facility of £32.44m provided by the Co-operative Bank plc. The composition and utilisation of the debt is outlined at Notes 24 and 29 to the Financial Statements. Given the current economic climate the availability and utilisation of such facilities is closely monitored.

The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Group's business the financial risks that the Directors consider particularly relevant to the Company are credit risk, interest risk, currency risk and liquidity risk.

Further information is provided in Note 29 to the Financial Statements as to how the Group addresses these risks.

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.

## THE 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 included in 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 2014 are impressive particularly given the difficult economic climate. The trading results emphasise the significant benefits from participating in the group stage of the UEFA Champions League ("UCL"), successful player trading and maintaining tight cost control. The Group's reported profit of £11.17m is again a most pleasing result in a financially demanding football sector and is a significant improvement in respect of the £9.74m profit reported last year. This improvement is largely as a result of an increased contribution from player trading.

Group revenue reduced by £11.08m, 14.6% to £64.74m, with the first team playing 28 home matches compared to 30 last year. The reduction in revenue is largely a result of lower ticketing revenue, particularly from season tickets following the £100 reward on each season ticket sold, together with the impact of playing 2 fewer home games than the prior year which included a lucrative last 16 UCL match. Additionally, multimedia revenue is also lower due to a more favourable performance in the UCL in season 2012/13. Total operating expenses, before exceptional costs, have decreased over the previous year by £2.83m, 4.5% to £59.89m largely as a result of a reduction in labour costs.

The retained profit for the year after exceptional operating expenses, amortisation of intangible assets, loss on disposal of property plant and equipment, gain on disposal of intangible assets, interest and tax amounted to £11.17m in comparison to £9.74m in 2013.

### REVENUE

A summary of revenue per business segment is set out in note 3 to the Financial Statements and a detailed analysis of performance of each operating division is given above. The major movements in revenue in comparison to last year are noted below.

# Celtic plc

## STRATEGIC REPORT

Income from football and stadium operations decreased by £4.41m, 13.5% to £28.27m mainly as a result of reduced match tickets income, including corporate and premium sales, following the £100 reward on season tickets as well as a lack of progression to the UCL knock out stages and failure to make the latter stages of both domestic cup competitions. The actual number of standard season tickets sold of 41,467 is up on the 40,144 sold last year, partly reflecting the £100 reduction per season ticket for season 2013/14. Additional revenues were achieved through Celtic Park being the host venue for the Scottish Cup and SPFL League Cup Finals.

Merchandising reported a decrease in turnover of £1.46m, 9.7%, to £13.52m, largely as a result of the launches of a home and away kit being less successful than a home, away and third kit last year, together with a difficult retail trading market particularly in respect of Christmas. In addition, the success in the 2012/13 UCL group stage, which benefited merchandising sales particularly in December 2012, was not replicated in December 2013.

Multimedia and other commercial activities revenue has decreased by £5.21m, 18.5%, to £22.94m, largely as a result of accumulating 7 fewer points in the UCL group stages, playing only 1 home game in the domestic cup competitions, in comparison to 3 the previous season, together with reduced revenue from not qualifying for the last 16 of the Champions League in the current year. In addition, the distribution from the SPFL was lower than the previous year.

### OPERATING EXPENSES

Total operating expenses (excluding exceptional operating expenses) have reduced over last year by £2.83m, 4.5%, to £59.89m, predominately due to a decrease in labour and cost of sales.

Total labour costs decreased by £2.98m, 7.3%, to £37.77m, largely due to reduced labour costs in football and youth development over the previous year. The reduction in football wage costs from last year is mainly due to a decrease in base first team costs following the change in playing personnel during the summer of 2013, together with reduced bonus payments, particularly in not progressing to the last 16 of the UCL or winning the Scottish Cup as last year.

The ratio of the total labour cost to turnover at 58.3% has increased from the 53.7% of last year. This ratio compares with an average of 70.6% recently reported for the English Premiership in season 2012/13. 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 over wage costs and this will continue to be closely monitored. On-going 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 £4.66m (2013: £1.83m) represent an impairment charge to intangible assets of £4.09m (2013: £0.50m) together with labour and other related costs of £0.57m (2013: £0.09m) and a provision for onerous leases of £nil (2013: £1.24m).

### AMORTISATION OF INTANGIBLE ASSETS

Total amortisation costs of £5.30m represent a fall of £0.63m, 10.6%, in comparison to the previous year. This is mainly a result of a reduction resulting from the impairment charge at 30 June 2013 and 31 December 2013, together with the elimination of the charge relating to players that left during or following the end of the last season including Hooper, Wanyama and Wilson. This reduction is offset by the charge uplift for new players signed for the 2013/14 season including Pukki, Balde, Bitton, Van Dijk and Boerriqter.

### PROFIT ON DISPOSAL OF INTANGIBLE ASSETS

The gain on sale of £17.05m largely reflects the sale of Wanyama, Hooper, Wilson and Ledley in comparison to the gain of £5.19m last year, mainly from the sale of Ki, the crystallisation of the Feruz contingent clause and Rasmussen.

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

The loss on disposal of property, plant and equipment in the year of £0.10m mainly reflects the write-down of various assets including retail and catering kiosks. The loss on disposal of £0.10m the previous year was largely a result of the write-downs associated with the refurbishment of the North Stand lounges and Multimedia offices.

# Celtic plc

## STRATEGIC REPORT

### FINANCE INCOME & COSTS

The finance costs for the year to 30 June 2014 of £0.72m (2013: £0.72m) reflects interest due on the Company's borrowing facilities with the Co-operative Bank together with reclassifications of the Preference Share dividend as interest in accordance with IFRS requirements. Finance income of £0.05m (2013: £0.02m) relates to interest gained on short term deposit accounts.

### TAXATION PROVISION

No provision for corporation tax is required in respect of the year ended 30 June 2014. The provisional tax computation for accounts purposes provides tax losses carried forward of approximately £13.30m (2013: £23.44m) and an available capital allowance pool of approximately £10.74m (2013: £12.82m).

The value of the deferred taxation not reflected in the financial statements of the Group was £2.66m (2013: £5.39m), which will be recovered to the extent of future taxable profits of the Group.

### PROPERTY, PLANT AND EQUIPMENT

The additions to property, plant and equipment in the year of £5.14m are represented mainly by the development of The Celtic Way, the transformation of the land adjacent to London Road and the stadium, together with various enhancements to the stadium itself including lounge upgrading, health and safety works and IT enhancements.

### INTANGIBLE ASSETS

The decrease in the net book value of intangibles during the year to 30 June 2014 of £2.60m to £7.20m reflects the investment in football personnel of £8.07m less the amortisation charge of £5.30m, the impairment charge of £4.09m and the net book value of disposals of £1.28m. The investment in football personnel is largely represented by the costs associated with the acquisition of Pukki, Balde, Bitton, Van Dijk, Johansen, Griffiths, Fridjonsson and Boerrigter. There were several departures in the 2013 summer transfer window, including Hooper, Wanyama and Wilson. Ledley left in the following winter transfer window. However additional capital instalments were also paid in respect of Forster and Kayal.

### INVENTORIES

The level of stockholding at 30 June 2014 of £1.70m is comparable with the £1.73m reported last year.

### RECEIVABLES

The increase in the level of receivables from 30 June 2013 from £3.93m to £17.26m is primarily a result of an increase in amounts due in respect of player transactions and income from the SPFL.

### NON CURRENT LIABILITIES

The increase in non-current liabilities from 30 June 2013 of £0.55m to £15.23m is largely as a result of the allocation of the onerous lease and dilapidations provisions which are greater than one year, offset by a decrease in the term loan and also in deferred income due after more than one year.

### CURRENT LIABILITIES

The increase in trade and other payables and in provisions from 30 June 2013 of £1.91m to £17.69m includes current borrowings and largely reflects the uplift in amounts payable in respect of trade creditors offset by a reduction in accrued expenditure, together with an increase in the payments due under the Company's bonus scheme.

### INCOME DEFERRED LESS THAN ONE YEAR

Income deferred less than one year at £9.73m compares to the £9.25m reported last year and reflects the cash received prior to 30 June 2014 in respect of the financial year ended 30 June 2015.

# Celtic plc

## STRATEGIC REPORT

### NET ASSETS AND FUNDING

Celtic has been consistent with prior years' reports under IFRS, which requires 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.

Net cash, excluding Preference Shares and the Convertible Preferred Ordinary Shares at 30 June 2014, is £3.83m (2013: £3.76m) and includes all bank borrowings offset by cash at bank and in hand. The movement from 30 June 2013 is principally as a result of the cash generated from trading and the disposal of player registrations, some of which are subject to deferred consideration arrangements. These inflows are 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.

Gains from the sale of players in the summer transfer window will assist with future funding requirements. An element of the funds from the transfer of these players post year-end will be received over the period to August 2015.

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, 24 and 29 to the Financial Statements

### BANK FACILITIES

The banking facilities of the Group and Company for the year end 30 June 2014 are described in notes 24 and 29.

Following a review of potential future banking facility requirements, the Company entered into a new lending agreement with the Co-operative Bank effective as of 30 August 2014. This new agreement has a combined borrowing facility of £20.40m which consists of a £6.00m revolving credit facility and £14.40m in long term loans. The revolving credit facility will bear interest at base rate plus 1.00% and will reduce by £0.50m after year one and a further £0.50m after year two. The facility will be repaid or reviewed after three years.

The long term loans will 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. The loans are repayable in equal quarterly instalments of £0.05m from the commencement date until full repayment of £12.40m in July 2019. The Group has the option to repay the loans earlier than these dates without penalty.

The borrowing facility will continue to be secured over Celtic Park, land adjoining the stadium and at Westhorn and Lennoxton.

### CURRENT TRADING AND OUTLOOK

*Progress in the major football competitions, particularly in Europe, continues to be a key influence in trading performance. Season 2013/14 was a very successful year for Celtic. We retained the Scottish Premiership title and achieved qualification for the lucrative group stages of the UEFA Champions League. The football success achieved has greatly improved trading performance, which in addition to the gains reported from player transactions, has resulted in impressive financial results for the year to 30 June 2014 with a profit of £11.17m reported despite the difficult economic climate. Such trading has assisted with year-end net cash at bank of £3.83m which is slightly up from the £3.76m reported last year. This performance provides a platform for further progress.*

However, trading at the beginning of the new financial year has been challenging in a very difficult market place. Season tickets sales are currently slightly lower than last year. Match ticket sales to date have been encouraging, although this may be difficult to sustain as the season continues. Merchandise sales year to date, with the launch of an away kit, are lower than the comparable sales last year which included the launch of a home kit. The new financial year has benefited from the higher income from Celtic hosting the opening ceremony of the 2014 Commonwealth Games and additional revenue streams continue to be sought particularly in respect of new media and commercial markets. We look to maximise revenues and develop the Celtic brand, which together with on-going management of costs should enable us to maintain a sustainable business model.

Management of the player pool has been an increasingly important element of our business for a number of years. Our strategy to invest in the Lennoxton football academy, together with the related support services, was designed to identify, recruit and develop players capable of playing in the Champions League. This strategy has been successful to date.

# Celtic plc

## STRATEGIC REPORT

During the summer transfer window a number of new players were acquired and Fraser Forster and Tony Watt were sold for sums well in excess of book value. Unfortunately, we lost in the final UCL qualifier against Maribor and will now play in the group stages of the UEFA Europa League which will impact revenues significantly in comparison to last year.

The opening of the new Celtic Way has dramatically improved the approach, ambience and outlook of the stadium. We were delighted to successfully host the opening ceremony of the Commonwealth Games in July 2014 which profiled Celtic Park throughout the world.

We continue to drive revenues and develop the Celtic brand at home and abroad, which together with the on-going management of costs and effective financial controls should maintain a sustainable financial model. The discipline of good financial management will continue and we will operate from a positional, comparative financial and football strength with exciting young players continuing to make a mark in the team and assisting with the generation of value within the squad itself.

The key Group objective clearly remains football success particularly in Europe as this will greatly assist revenue generation. However the funding of that success must recognise the financial constraints applicable to the organisation particularly as Celtic continues to play in the Scottish football environment and the challenges that presents.

The biggest on-going challenge facing the Board is the management of salary and transfer costs whilst achieving playing success with its consequent impact on financial results.

The development of a greater number of internally generated players through continued investment in youth development will assist in addressing such issues. As a result prudent management of the player pool is important in addition to incremental contribution from European success.

With the appointment of our new manager Ronny Deila and the first team being strengthened with the registration of a number of new players, we look forward with optimism to further progress and success in the domestic competitions and the Europa League.

**APPROVED ON BEHALF OF THE BOARD**

**Peter Lawwell, Chief Executive**  
**Eric J Riley, Financial Director**  
**12 September 2014**

# Celtic plc

## DIRECTORS' REPORT

The Directors present their report for the year ended 30 June 2014.

### **DIVIDENDS**

Dividends were paid in cash on 1 September 2014 to those Preference Shareholders not participating in the scrip dividend reinvestment scheme. The record date for the purpose of the Preference Share dividend was 1 August 2014.

Mandates representing 1,339,801 Preference Shares are in place for the scrip dividend reinvestment scheme. Approximately £43,618 (2013: £43,427) of dividends for the financial year to 30 June 2014 will be reinvested. 58,547 new Ordinary Shares were issued under the scheme at the beginning of September 2014.

The scrip scheme was extended at the AGM in October 2009 until 29 October 2014. A resolution will be proposed (in accordance with Article 40.8 of the Company's Articles of Association) at the Company's AGM on 21 November 2014 to extend the scrip dividend reinvestment scheme for a further 5 years.

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

The profit of £11.17m has been taken to reserves.

### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The Strategic Report sets out the Business Review (page 7) and future developments (page 18). As the Company and its principal subsidiary are managed and controlled as a single entity, the business review and future developments reflect 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 2014, Celtic has acquired the permanent registrations of Craig Gordon and Stefan Scepovic, and the loan registrations of Mubarak Wakaso, Aleksandar Tonev, Jason Denayer, Jo Inge Berget and John Guidetti. The registration of Fraser Forster and Tony Watt were disposed of on a permanent basis, with those of Amido Balde, Holmbert Fridjonsson, Jackson Irvine, Dylan McGeouch and Teemu Pukki placed on loan. Aggregate amounts involved are included in Note 30.

A new banking facility agreement was entered into on 30 August 2014, details of which are included in Note 30.

### **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 29 to the Financial Statements.

# Celtic plc

## DIRECTORS' REPORT

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

The Directors serving throughout the year and at 30 June 2014 and their interests, including those of connected persons, in the share capital of the Company were as follows:

Name	30 June 2014		No. of Convertible Preference Shares of 60p each	1 July 2013		No. of Convertible 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	
T Allison	84,875	3,357,505	-	-	3,357,505	-
I Bankier	-	30,000	-	-	30,000	-
D Desmond	8,000,000	32,772,073	5,131,300	8,000,000	32,772,073	5,131,300
B Duffy	-	229,694	-	-	229,694	-
P Lawwell	-	356,000	-	-	356,000	-
I Livingston	1,600	505	500	1,600	505	500
E Riley	8,000	78,088	5,000	8,000	77,805	5,000
B Wilson	-	3,000	500	-	3,000	500

No changes in Directors' shareholdings between 30 June 2014 and 12 September 2014 have been reported to the Company, except that on 1 September 2014 Eric Riley acquired a further 217 Ordinary Shares of 1p each under the Company's Scrip Dividend Reinvestment Scheme, taking his holding to 78,305 Ordinary Shares.

Details of agreements which may give rise to payments to executive directors are set out in the Remuneration Report. Brief biographical details of the Directors serving as at 30 June 2014 are as follows:

**Thomas E. Allison** (66) 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. He is Chairman of Peel Ports Limited and a director of a number of other companies within the Peel Ports Group. He is Chairman of Tulloch Homes Group Limited, a non-executive director of Pinewood Shepperton plc and an ambassador for The Prince and Princess of Wales Hospice in Glasgow.

**Ian P. Bankier** (62) was appointed to the Board as an independent non-executive director on 3 June 2011 and became Chairman on 14 October 2011. 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 over 20 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. Mr Bankier is a member of the Remuneration Committee and chairs the Nomination Committee.

**Dermot F. Desmond** (64) has been a non-executive Director of the Company since May 1995. He is the Chairman and founder of International Investment and Underwriting (IIU), a private equity company based in Dublin. Through IIU, he has investments in a variety of start-up and established businesses worldwide, in the areas of financial services, technology, education, information systems, leisure, aviation, health and sport (including Celtic FC). He also promoted the establishment of a financial services centre in Dublin in 1986. Today more than 500 companies trade from the IFSC.

**Brian Duffy** (60) joined the Board in February 2010. 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, most recently with the Polo Ralph Lauren Corporation, which he joined as President and Chief Operating Officer, Europe in 2003. He became Group President, Europe in 2008 and retired in March 2012. Mr Duffy resigned from the Board on 30 June 2014.

**Peter T. Lawwell** (55), 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. During the year Mr Lawwell served as a member of the Professional Game Board of the Scottish Football Association, the Board of the Scottish Football Association and the Board of the European Club Association.

# Celtic plc

## DIRECTORS' REPORT

**Lord Livingston of Parkhead** (50) was appointed to the Board as an independent non-executive director in October 2007 and chairs the Audit Committee. Lord Livingston is Minister of State for Trade and Investment. He was Chief Executive of BT Group plc until September 2013, having also served as chief executive of BT Retail and as Group Finance Director. Lord 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** (57) 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 Board of the Scottish Professional Football League Limited and was a member of the Finance Committee of the European Club Association.

**Brian Wilson** (65) 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 including Harris Tweed Hebrides Limited and Havana Energy Limited. In 2011, he was named UK Global Director of the Year by the Institute of Directors and is a Trade Ambassador for the UK Government.

### **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**

In accordance with the Articles of Association of the Company, Ian Bankier retires by rotation and, being eligible, offers himself for re-election.

Tom Allison, Dermot Desmond and Brian Wilson have each served more than 9 years as non-executive directors. The Company continues to be committed to high standards of corporate governance and in particular is committed to the ongoing assessment of the independence of the non-executive directors of the Company. Accordingly, given their length of service as directors, Tom Allison, Dermot Desmond and Brian Wilson 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.

A statement as to the Board's view of the independence of Tom Allison, Dermot Desmond and Brian Wilson is set out at page 25 of this Report.

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

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

# Celtic plc

## DIRECTORS' REPORT

### SUBSTANTIAL INTERESTS

In addition to the Directors' interests set out above, the Company has been notified or is aware of the following interests of over 3% in its issued Ordinary Share capital as at 10 September 2014:

Registered Holder	Ordinary Shares of 1p each	Percentage of Issued Ordinary Share capital
The Bank of New York (Nominees) Limited	11,930,574	12.86%
Christopher D Trainer	9,766,784	10.53%
James Mark Keane	5,909,847	6.37%

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 the issued Convertible Preferred Ordinary Share capital as at 10 September 2014:

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	12.12%
Hanom 1 Limited	625,000	4.73%
The Bank of New York (Nominees) Limited	500,900	3.79%

### DONATIONS

The Group made direct charitable donations of £15,187 (2013: £14,360), which in both years was represented by the costs of hosting the Celtic FC Foundation (previously Celtic Charity Fund) annual dinner.

In addition, the Group continued to contribute in-kind support to Celtic FC Foundation, including use of stadium, management and administrative assistance together with a variety of items including match tickets, signed merchandise and stadium tours which were used for fundraising purposes.

### 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, age, religion, colour, race, ethnic origin or disability. A registration is maintained with Disclosure Scotland.

Full consideration is given to applications for employment by disabled persons where the requirements of the job can be adequately fulfilled by a 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. Jobcentre Plus has endorsed the Club's the right to use the "Positive about Disabled People" logo.

Investors In People status continues, following the Club's re-accreditation in December 2013, with good practice in relation to pregnant employees also commended through the Tommy's accreditation.

# Celtic plc

## DIRECTORS' REPORT

### *Social Responsibility*

The Company is proud of its charitable origins and operates policies designed to encourage social inclusion.

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.

### **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.

### **INFORMATION SUPPLIED TO THE AUDITOR**

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.

### **AUDITOR**

At the Annual General Meeting on 15 November 2013 BDO LLP were re-appointed as auditor to the Company.

### **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 Strategic Report.

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report. In addition, Note 29 to the Financial Statements includes 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**

**Michael Nicholson, Secretary**

**12 September 2014**

# 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. AIM companies are not required to comply with the UK Corporate Governance Code 2012 (Principles of good governance and standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders) adopted by the London Stock Exchange (the "Code").

The Board, however, appreciates the value of good corporate governance. The Directors view corporate governance not just as a "box ticking" exercise against specific rules and regulations, but instead as a real and intrinsic part of the Company's culture and operations. The Board continues to apply corporate governance principles in a sensible and pragmatic fashion having regard to the individual circumstances of the Company's business, with the overarching objective to create, safeguard and enhance accountability, risk management, commercial success and shareholder value. The Directors continue to base their approach to corporate governance on fundamental principles set out in the Code and apply these in a manner appropriate for a company of the size and stature of Celtic, however the Company does not comply with the Code or report on a "comply or explain" basis.

#### Board of Directors

As at 30 June 2014, the Board of Directors consisted of a non-executive Chairman, five 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 Tom Allison, Dermot Desmond, Brian Wilson and Ian Bankier.

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, football manager 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 meetings can be held by telephone conference or proposals are circulated to the Board members for individual approval.

#### Independence

Given its on-going commitment to applying good corporate governance principles, the Board continues to assess the independence of each of the non-executive Directors on an annual basis.

*Dermot Desmond has completed more than nine years' service and has a substantial shareholding. However, the Board has considered whether the Director is independent in character and judgement and whether there are relationships or circumstances, which are likely to affect, or could appear to affect, the Director's judgement. Accordingly, the Board 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.*

Furthermore, Tom Allison has completed more than nine years' service and has a substantial shareholding. Again, having considered his independence and his contribution to the Board and Company throughout the year, the Board is also satisfied that Mr Allison remains independent, notwithstanding these factors.

During the year, Brian Wilson also completed more than nine years' service as a Director. Again, having considered his independence and his contribution to the Board and Company throughout the year, the Board is also satisfied that Mr Wilson remains independent, notwithstanding his length of service.

# Celtic plc

## CORPORATE GOVERNANCE

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

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

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.

### **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. This was done principally by way of individual discussions with the Chairman. 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**

Nine formal Board meetings were held during the year. The Audit Committee and Remuneration Committee each met three times. The Nomination Committee met once.

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 Duffy could not attend the Board meeting on 24 April 2014 due to a prior commitment and 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.

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 (until his resignation as a director on 30 June 2014) 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.

# Celtic plc

## CORPORATE GOVERNANCE

The Audit Committee has a number of key roles, including:

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

The auditors are required to disclose any potential conflicts, contracts with the Company and non-audit work conducted by them. This was done prior to re-engagement and was discussed with the Audit Committee. For work carried out during the year, the fees are listed at note 6 of the accounts.

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 (until his resignation as a director on 30 June 2014), Brian Wilson and Ian Bankier all serving during the year.

The Remuneration Committee determines the terms of engagement and remuneration of the Company's executive Directors and Company Secretary on behalf of the Board. The objectives of the executive Directors are approved by the Committee and performance against these 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 29 to 32.

### *Nomination Committee*

This Committee comprises Ian Bankier 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 once during the financial year.

## INVESTOR COMMUNICATION

Matchday events and investor dinners are used as informal 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.

# Celtic plc

## CORPORATE GOVERNANCE

### **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 financial disclosure within the confines of preserving the Group's competitive position, maintaining commercial confidentiality and managing accompanying administrative burdens in a cost-effective manner.

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 within 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.

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 as well as relevant guidance published from time to time to the extent the Board considers this as relevant to the Company. The review is currently performed on the basis of the criteria in the Turnbull Guidance.

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

**Michael Nicholson, Secretary**

**12 September 2014**

# 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 27.

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 all of that information available.

### **Remuneration Policy**

The main objective of the Company's remuneration 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 reports and from the published accounts of a number of other companies. No external consultants were used during the financial year on remuneration matters.

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, and 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 Directors and Senior Executives**

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

The executive Directors have service contracts. Mr Lawwell's service contract commenced on 25 October 2003. It continues subject to twelve months' notice by him to the Company or by the Company to him. Mr 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. 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.

There are several main elements to the Company's executive remuneration packages: basic salary and benefits, annual performance related bonus, pension, share options and other customary benefits such as holidays, a fully expensed car or equivalent non-pensionable car allowance, private medical insurance, pension contributions and critical illness cover.

#### ***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.

# Celtic plc

## REMUNERATION REPORT

### *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;
- 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 several senior executives and a number of other employees participate. During the year, pension contributions for the Financial Director and Chief Executive were made to independent pension providers. 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 remaining options under the Scheme lapsed during the year. No directors participate in the Scheme.

### **Service Agreements**

#### *Executive Directors*

##### *Chief Executive*

Mr Lawwell's service contract commenced on 25 October 2003. It continues subject to twelve months' notice by him to the Company or by the Company to him. For the financial year to 30 June 2014, 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. Mr Lawwell served on the Professional Game Board and the Board of Directors of the Scottish Football Association and the Board of the European Club Association during the year. No fee is payable for these posts.

The Remuneration Committee decided to make an additional bonus award to Mr. Lawwell, on an ex gratia basis, for the financial year having taken account of the scale of incremental value delivered for the benefit of the Company through fulfilment of the objectives set for him.

##### *Financial Director*

Mr Riley's service contract commenced on 19 August 1994 and continues subject to termination on twelve months' notice from the Company, or three months' notice from Mr Riley. Mr Riley is entitled to a maximum payment under the Company's bonus scheme of 50% of basic salary, if all performance conditions are satisfied. Mr Riley served as a director of the Scottish Professional Football League Limited during the year. No fee is payable for this post.

# Celtic plc

## REMUNERATION REPORT

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.

### *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-appointment by shareholders in accordance with the Articles of Association. These appointments are terminable immediately on written notice, without requirement for payment of compensation.

Unexpired periods of service for non-executive Directors as at 30 June 2014:

Ian Bankier	Second term	2 years and 11 months remaining
Ian Livingston	Third term	2 years and 3 months remaining

Tom Allison, Dermot Desmond and Brian Wilson each retire annually.

### **Remuneration of Directors**

Directors' remuneration and benefits for the year to 30 June 2014 are set out in the table below.

	Salary/ Fees	Bonus	Benefits in Kind	Pension Contributions	2014 Total	2013 Total
	£	£	£	£	£	£
T Allison	25,000	-	-	-	25,000	25,000
I Bankier	50,000	-	-	-	50,000	50,000
D Desmond	25,000	-	-	-	25,000	25,000
B Duffy	25,000	-	-	-	25,000	25,000
P Lawwell	524,576	400,500	17,312	57,108	999,496	999,591
I Livingston	13,159	-	-	-	13,159	30,000
E Riley	150,885	66,012	20,278	22,633	259,808	256,898
B Wilson	25,000	-	-	-	25,000	25,000
	<u>838,620</u>	<u>466,512</u>	<u>37,590</u>	<u>79,741</u>	<u>1,422,463</u>	<u>1,436,489</u>

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 have remained static since July 2007. 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. As a result of his appointment as Minister of State for Trade and Investment, with effect from 9 December 2013, Lord Livingston of Parkhead waived his fees as a non-executive director of the Company.

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

The 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**

**Michael Nicholson, Secretary**  
**12 September 2014**  
**Celtic Park**  
**Glasgow, G40 3RE**

# Celtic plc

## DIRECTORS' RESPONSIBILITIES STATEMENT

### Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Celtic plc

## FIVE YEAR RECORD

	2014	2013	2012	2011	2010
<b>FINANCIAL</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>Restated £000</b>
Revenue	64,736	75,816	51,341	52,557	61,715
Profit / (loss) from trading before asset transactions and exceptional items	4,851	13,102	(3,095)	56	4,461
Profit/(loss) after taxation	11,170	9,739	(7,371)	102	(2,131)
Non equity dividends paid	526	527	544	544	544
Total equity	54,264	42,557	32,678	40,003	39,860
Shares in issue (excl deferred) no. '000	121,603	121,273	121,030	120,903	120,763
Earnings/(loss) per ordinary share	12.68p	10.73p	(8.17)p	0.11p	(2.37p)
Diluted earnings/( loss) per share	8.91p	7.56p	(8.17)p	0.47p	(1.17p)
Number of employees	475	455	451	476	454
<b>FOOTBALL</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
League position	1	1	1	2	2
League points	99	79	93	92	81
Scottish Cup	5 <sup>th</sup> ROUND	WINNERS	SEMI FINAL	WINNERS	SEMI FINAL
League Cup	3 <sup>rd</sup> ROUND	SEMI FINAL	FINALISTS	FINALISTS	QUARTER FINAL
European ties played	6	6	4	2	5
<b>CELTIC PARK</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Celtic Park investment to date (£000)	68,147	63,476	62,692	61,728	61,272
Stadium seating capacity (no.)	60,411	60,355	60,355	60,355	60,355
Average home league attendance (no.)	45,757	46,754	49,019	49,719	53,228
Total season ticket sales (no.)	43,072	41,716	44,975	44,734	50,826

# Celtic plc

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELTIC PLC

We have audited the financial statements of Celtic plc for the year ended 30 June 2014 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the group and company statements of changes in equity, the consolidated and company cash flow statements, 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### 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 2014 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 and 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 matters prescribed by the Companies Act 2006

In our opinion, the information given in the strategic report and 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.

Charles Barnett (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Glasgow  
United Kingdom  
12 September 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Celtic plc

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014			2013		
		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	64,736	-	64,736	75,816	-	75,816
Operating expenses (excluding exceptional operating expenses)	4, 5	(59,885)	-	(59,885)	(62,714)	-	(62,714)
<b>Profit from trading before asset transactions and exceptional items</b>		<b>4,851</b>	<b>-</b>	<b>4,851</b>	<b>13,102</b>	<b>-</b>	<b>13,102</b>
Exceptional operating expenses	7, 16	(575)	(4,089)	(4,664)	(1,331)	(501)	(1,832)
Amortisation of intangible assets	16	-	(5,300)	(5,300)	-	(5,930)	(5,930)
Profit on disposal of intangible assets		-	17,052	17,052	-	5,195	5,195
Loss on disposal of property, plant and equipment		(101)	-	(101)	(96)	-	(96)
<b>Operating profit / (loss)</b>	<b>5</b>	<b>4,175</b>	<b>7,663</b>	<b>11,838</b>	<b>11,675</b>	<b>(1,236)</b>	<b>10,439</b>
Finance income	11			53			21
Finance expense	11			(721)			(721)
<b>Profit before tax</b>				<b>11,170</b>			<b>9,739</b>
Income tax expense	12			-			-
<b>Profit and total comprehensive income for the year</b>				<b>11,170</b>			<b>9,739</b>
<b>Profit attributable to equity holders of the parent</b>				<b>11,170</b>			<b>9,739</b>
<b>Total comprehensive income attributable to equity holders of the parent</b>				<b>11,170</b>			<b>9,739</b>
Basic earnings per Ordinary Share from continuing operations and for the year	14			<b>12.21p</b>			10.73p
Diluted earnings per share from continuing operations and for the year	14			<b>8.60p</b>			7.56p

# Celtic plc

Registered number: SC3847  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2014**

	Notes	2014 £000	2013 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	55,594	52,456
Intangible assets	16	7,197	9,798
		62,791	62,254
<b>Current assets</b>			
Inventories	18	1,696	1,734
Trade and other receivables	20	17,258	3,934
Cash and cash equivalents	21,29	14,739	14,348
		33,693	20,016
<b>Total assets</b>		<b>96,484</b>	<b>82,270</b>
<b>Equity</b>			
Issued share capital	22	24,357	24,341
Share premium	23	14,529	14,486
Other reserve	23	21,222	21,222
Capital reserve	23	2,695	2,650
Accumulated losses		(8,972)	(20,142)
<b>Total equity</b>		<b>53,831</b>	<b>42,557</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities/bank loans	24	9,844	10,219
Debt element of Convertible Cumulative Preference Shares		4,284	4,345
Provisions	26	1,047	-
Deferred income	27	59	119
		15,234	14,683
<b>Current liabilities</b>			
Trade and other payables	25	16,937	14,048
Current borrowings	25	485	489
Provisions	25,26	265	1,240
Deferred income	27	9,732	9,253
		27,419	25,030
<b>Total liabilities</b>		<b>42,653</b>	<b>39,713</b>
<b>Total equity and liabilities</b>		<b>96,484</b>	<b>82,270</b>

The financial statements were approved and authorised for issue by the Board on 12 September 2014 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 2014

	Notes	2014 £000	2013 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	55,594	52,456
Intangible assets	16	7,197	9,798
Investment in subsidiaries	17	-	-
		<u>62,791</u>	<u>62,254</u>
<b>Current assets</b>			
Trade and other receivables	20	13,259	10,437
Cash and cash equivalents	21,29	14,539	11,901
		<u>27,798</u>	<u>22,338</u>
<b>Total assets</b>		<u>90,589</u>	<u>84,592</u>
<b>Equity</b>			
Issued share capital	22	24,357	24,341
Share premium	23	14,529	14,486
Other reserve	23	21,222	21,222
Capital reserve	23	2,695	2,650
Accumulated profits	23	1,818	1,564
<b>Total equity</b>		<u>64,621</u>	<u>64,263</u>
<b>Non-current liabilities</b>			
Interest bearing liabilities/bank loans	24	9,844	10,219
Debt element of Convertible Cumulative Preference Shares		4,284	4,345
		<u>14,128</u>	<u>14,564</u>
<b>Current liabilities</b>			
Trade and other payables	25	11,355	5,276
Current borrowings	25	485	489
		<u>11,840</u>	<u>5,765</u>
<b>Total liabilities</b>		<u>25,968</u>	<u>20,329</u>
<b>Total equity and liabilities</b>		<u>90,589</u>	<u>84,592</u>

The financial statements were approved and authorised for issue by the Board on 12 September 2014 and were signed on its behalf by

  
Peter T Lawwell

Director

  
Eric J Riley

Director

# Celtic plc

## STATEMENTS OF CHANGES IN EQUITY YEAR ENDED 30 JUNE 2014

<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 2012</b>	<b>24,264</b>	<b>14,443</b>	<b>21,222</b>	<b>2,630</b>	<b>(29,881)</b>	<b>32,678</b>
Share capital issued	1	43	-	-	-	44
Transfer to capital reserve	(20)	-	-	20	-	-
Reduction in debt element of convertible cumulative preference shares	96	-	-	-	-	96
Profit and total comprehensive income for the year	-	-	-	-	9,739	9,739
<b>Equity shareholders' funds as at 30 June 2013</b>	<b>24,341</b>	<b>14,486</b>	<b>21,222</b>	<b>2,650</b>	<b>(20,142)</b>	<b>42,557</b>
Share capital issued	1	43	-	-	-	44
Transfer to capital reserve	(45)	-	-	45	-	-
Reduction in debt element of convertible cumulative preference shares	60	-	-	-	-	60
Profit and total comprehensive income for the year	-	-	-	-	11,170	11,170
<b>Equity shareholders' funds as at 30 June 2014</b>	<b>24,357</b>	<b>14,529</b>	<b>21,222</b>	<b>2,695</b>	<b>(8,972)</b>	<b>53,831</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 2012</b>	<b>24,264</b>	<b>14,443</b>	<b>21,222</b>	<b>2,630</b>	<b>1,216</b>	<b>63,775</b>
Share capital issued	1	43	-	-	-	44
Transfer to capital reserve	(20)	-	-	20	-	-
Reduction in debt element of convertible cumulative preference shares	96	-	-	-	-	96
Profit and total comprehensive income for the year	-	-	-	-	348	348
<b>Equity shareholders' funds as at 30 June 2013</b>	<b>24,341</b>	<b>14,486</b>	<b>21,222</b>	<b>2,650</b>	<b>1,564</b>	<b>64,263</b>
Share capital issued	1	43	-	-	-	44
Transfer to capital reserve	(45)	-	-	45	-	-
Reduction in debt element of convertible cumulative preference shares	60	-	-	-	-	60
Profit and total comprehensive income for the year	-	-	-	-	254	254
<b>Equity shareholders' funds as at 30 June 2014</b>	<b>24,357</b>	<b>14,529</b>	<b>21,222</b>	<b>2,695</b>	<b>1,818</b>	<b>64,621</b>

# Celtic plc

## CONSOLIDATED CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2014

	Note	2014 £000	2013 £000
<b>Cash flows from operating activities</b>			
Profit for the year		11,170	9,739
Depreciation	15	1,747	1,823
Amortisation of intangible assets	16	5,300	5,930
Impairment of property, plant and equipment	15	-	37
Impairment of intangible assets	16	4,089	501
Profit on disposal of intangible assets		(17,052)	(5,195)
Loss on disposal of property, plant and equipment		101	96
Net finance costs	11	668	700
		6,023	13,631
Decrease in inventories		38	426
Increase in receivables		(819)	(510)
Increase / (decrease) in payables and deferred income		2,734	(3,012)
<b>Cash generated from operations</b>		7,976	10,535
Net interest paid		(153)	(173)
<i>Net cash flow from operating activities - A</i>		7,823	10,362
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,000)	(1,352)
Purchase of intangible assets		(9,880)	(9,503)
Proceeds from sale of intangible assets		5,620	7,521
<i>Net cash used in investing activities - B</i>		(7,260)	(3,334)
<b>Cash flows from financing activities</b>			
Repayment of debt		(379)	(379)
Dividends paid		(482)	(499)
<i>Net cash used in financing activities - C</i>		(861)	(878)
Net (decrease) / increase in cash equivalents A+B+C		(298)	6,150
Cash and cash equivalents at 1 July 2013		14,348	8,198
Cash and cash equivalents including overdraft at 30 June 2014	21	14,050	14,348

# Celtic plc

## COMPANY CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2014

	Note	2014 £000	2013 £000
<b>Cash flows from operating activities</b>			
Profit for the year	23	254	348
Depreciation	15	1,747	1,823
Amortisation of intangible assets	16	5,300	5,930
Impairment of property, plant and equipment	15	-	37
Impairment of intangible assets	16	4,089	501
Profit on disposal of intangible assets		(17,052)	(5,195)
Loss on disposal of property, plant and equipment		101	96
Finance costs		646	709
		<u>(4,915)</u>	<u>4,249</u>
Decrease in receivables		9,682	2,849
Increase in payables		6,112	1,881
<b>Cash generated from operations</b>		<u>10,879</u>	<u>8,979</u>
Interest paid		(120)	(182)
<i>Net cash flow from operating activities – A</i>		<u>10,759</u>	<u>8,797</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,000)	(1,352)
Purchase of intangible assets		(9,880)	(9,503)
Proceeds from sale of intangible assets		5,620	7,521
<i>Net cash used in investing activities – B</i>		<u>(7,260)</u>	<u>(3,334)</u>
<b>Cash flows from financing activities</b>			
Repayment of debt		(379)	(379)
Dividends paid		(482)	(499)
<i>Net cash used in financing activities - C</i>		<u>(861)</u>	<u>(878)</u>
Net increase in cash equivalents A+B+C		2,638	4,585
Cash and cash equivalents at 1 July 2013		11,901	7,316
Cash and cash equivalents at 30 June 2014	21	<u>14,539</u>	<u>11,901</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 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 Celtic plc group (the “Group”) and the parent Company (the “Company”).

The 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. The Financial Statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities at fair value through the Statement of Comprehensive Income.

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

#### Adoption of standards effective in 2013

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement

The standards listed above were effective for financial periods commencing on or after 1 January 2013 and are therefore applicable to these financial statements. The adoption of these standards has had no material impact on the financial statements.

#### Adoption of standards not yet effective

- IAS 32 Financial Instruments: Presentation
- IFRS 10 Consolidated Financial Statements (amended)
- IFRS 12 Disclosure of Interests in Other Entities (amended)
- IAS 27 Separate Financial Statements (amended)
- IAS 28 Investments in Associates and Joint Ventures (amended)
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement

The amendments listed above are effective for financial periods commencing on or after 1 January 2014 and therefore have not been adopted for these financial statements. The adoption of these amendments is not expected to have a material impact on the financial statements of the Group.

#### 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 2014.

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

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2014

### 2. ACCOUNTING POLICIES (CONTINUED)

#### (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.

Freehold land is not depreciated.

Freehold land and buildings includes capitalised interest of £0.43m (2013: £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 consolidated statement of comprehensive income over the contract period remaining from their capitalisation to nil residual values, or earlier if there is an option to terminate present within the contract. Where a new contract life is renegotiated, the unamortised costs, together with the new costs relating to the contract extension, are amortised over the term of the new contract.

#### (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 player being part of the plans for the coming football season;
- (ii) the evidence of this intention such as the level of a player's participation in the previous football season;
- (iii) the level of interest from other clubs in paying a transfer fee for the player;
- (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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### (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 arise from matchday and non-matchday catering and banqueting, visitor centre revenues, soccer school revenues, donations received from Celtic Development Pools Limited, UEFA participation fees and revenues derived from the hiring of Celtic Park for football and non-football events. All such revenues are recognised in line with the completion of the matches or events to which they relate, with the exception of donations, which are recognised on receipt.

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.

Revenue from the sale of television rights is recognised dependent upon the nature of the related competition or event as follows:

- i) Domestic league television rights are sold centrally by the Scottish Professional Football League ('SPFL') and distributed to the Scottish Premiership clubs on a percentage basis dependent upon the final league positions of the clubs. Revenue 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 ('SFA') or the SPFL (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.

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.

During the year the Group entered into a Venue Use Agreement ("VUA") with Glasgow 2014 Limited ("Glasgow 2014"). The stadium was used as the venue for the opening ceremony of the Commonwealth Games that took place on 23 July 2014. The VUA allowed Glasgow 2014 to control access to the stadium between 26 May 2014 and 4 August 2014. Revenue related to the VUA is recognised on a proportional basis related to the specified levels of agreed occupation of Celtic Park by Glasgow 2014 over the period as defined in the contract.

The critical judgements made in respect of revenue recognition are largely in respect of assessing the accuracy of estimated information provided by trading partners, the SFA, the SPFL 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2014

### 2. ACCOUNTING POLICIES (CONTINUED)

#### (f) 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.

**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 from inception, 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.

**Convertible Cumulative Preference Shares:** The debt element of Convertible Cumulative Preference Shares is recognised as a financial liability. At the point of conversion, the relevant part of this financial liability is derecognised.

#### (g) 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. An onerous operating lease provision is recognised for projected losses of operating lease contracts where the forecast costs of fulfilling the operating lease contract throughout the period exceed the forecast income receivable. The onerous operating lease provision is calculated based on discounted cash flows to the end of the lease contract. A dilapidations provision is recognised where there is reasonable evidence to suggest that costs will be incurred in bringing leasehold properties to a satisfactory condition on completion of the lease. The dilapidations provision is calculated based on the discounted cash flows at the end of each applicable lease contract.

#### (h) Inventories

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

#### (i) 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.

#### (j) Trade payables

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

#### (k) 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### (l) 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 Consolidated Statement of Comprehensive Income in the period in which they arise.

##### (m) 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 recognised 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.

##### (n) 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.

##### (o) Exceptional operating expenses

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

##### (p) 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 and impairment of intangible assets, noted at 2(d) above and onerous lease provisions at 2(g) above.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2014

### 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 segment information. The Group operates in the UK and as a result does not have any geographical segments.

Year to 30 June 2014	Football and Stadium Operations £000	Merchandising £000	Multimedia and Other Commercial Activities £000	Consolidated £000
External revenue	28,273	13,520	22,943	64,736
(Loss) / profit from segment before asset transactions and exceptional operating expenses	(20,665)	4,853	20,663	4,851
Exceptional operating expenses				(4,664)
Amortisation of intangible assets				(5,300)
Profit on disposal of intangible assets				17,052
Loss on disposal of property, plant and equipment				(101)
Operating profit				11,838
Net finance costs				(668)
Taxation				-
Profit for the year				11,170
Other information:				
Segment assets	76,744	3,899	967	81,610
Unallocated corporate assets				14,874
Consolidated total assets				96,484
Segment liabilities	18,243	1,839	993	21,075
Unallocated corporate liabilities				21,578
Consolidated total liabilities				42,653
Capital expenditure	4,978	47	113	5,138
Depreciation	1,508	146	93	1,747
Intangible asset additions	8,070	-	-	8,070
Amortisation	5,300	-	-	5,300
Impairment losses	4,089	-	-	4,089

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 3. SEGMENTAL REPORTING (CONTINUED)

Year to 30 June 2013	Football and Stadium Operations £000	Merchandising £000	Multimedia and Other Commercial Activities £000	Consolidated £000
External revenue	32,687	14,976	28,153	75,816
(Loss) / profit from segment before asset transactions and exceptional operating expenses	(18,698)	5,968	25,832	13,102
Exceptional operating expenses				(1,832)
Amortisation of intangible assets				(5,930)
Profit on disposal of intangible assets				5,195
Loss on disposal of property, plant and equipment				(96)
Operating profit				10,439
Net finance costs				(700)
Taxation				-
Profit for the year				9,739
Other information:				
Segment assets	62,899	3,555	1,418	67,872
Unallocated corporate assets				14,398
Consolidated total assets				82,270
Segment liabilities	15,347	250	1,224	16,821
Unallocated corporate liabilities				22,892
Consolidated total liabilities				39,713
Capital expenditure	769	17	175	961
Depreciation	1,595	213	15	1,823
Intangible asset additions	9,665	-	-	9,665
Amortisation	5,930	-	-	5,930
Impairment losses	538	-	-	538

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 4. OPERATING EXPENSES

	2014	2013
	£000	£000
The Group's operating expenses comprised:		
Football and Stadium Operations (excluding exceptional items and asset transactions)	48,938	51,385
Exceptional items excluding impairment of intangible assets	575	1,331
Impairment of intangible assets	4,089	501
Amortisation of intangible assets	5,300	5,930
Profit on disposal of intangible assets	(17,052)	(5,195)
Loss on disposal of property, plant and equipment	101	96
Total Football and Stadium Operations	41,951	54,048
Merchandising	8,667	9,008
Multimedia and Other Commercial Activities	2,280	2,321
	52,898	65,377

#### 5. OPERATING PROFIT

	2014	2013
	£000	£000
Operating profit is stated after charging:		
Staff costs (note 8)	37,766	40,748
Depreciation of property, plant and equipment (note 15)	1,747	1,823
Impairment of intangible assets	4,089	501
Amortisation of intangible assets	5,300	5,930
Impairment of plant, property and equipment (note 15)	-	37
Operating lease expense (note 28)	1,164	1,006
Foreign exchange (gain) / loss	(161)	109
Cost of inventories recognised as expense	7,062	7,555

#### 6. AUDITOR'S REMUNERATION

	2014	2013
	£000	£000
Fees payable to the Company's auditor and its associates in respect of:		
Audit of the Company's accounts	19	19
Audit of the accounts of the Company's subsidiaries	15	15
Taxation compliance services	8	11
Taxation advisory services	2	2
Other non-audit services	49	27

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 7. EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £4.66m (2013: £1.83m) can be analysed as follows:

	2014 £000	2013 £000
Impairment of property, plant and equipment	-	37
Impairment of intangible assets (Note 2d)	4,089	501
Compromise payments on contract termination	575	54
Onerous lease provision (Note 26)	-	1,240
	<u>4,664</u>	<u>1,832</u>

#### 8. STAFF PARTICULARS

	2014 £000	2013 £000
<b>Group</b>		
Wages and salaries	33,501	35,917
Social security costs	3,835	4,477
Other pension costs	430	354
	<u>37,766</u>	<u>40,748</u>

Included in the above wages and salaries is £581,000 (2013: £501,000) paid to agency staff.

<b>Employee numbers</b>	2014	2013
<b>Group</b>	Number	Number
Players and football administration staff	157	151
Administration and retail staff	318	304
Average number of full time equivalents employed in the year:	<u>475</u>	<u>455</u>

#### 9. DIRECTORS' EMOLUMENTS

	Salary/ Fees £	Bonus £	Benefits in kind £	Pension Contributions £	2014 Total £	2013 Total £
T Allison	25,000	-	-	-	25,000	25,000
I Bankier	50,000	-	-	-	50,000	50,000
D Desmond	25,000	-	-	-	25,000	25,000
B Duffy	25,000	-	-	-	25,000	25,000
P Lawwell	524,576	400,500	17,312	57,108	999,496	999,591
I Livingston	13,159	-	-	-	13,159	30,000
E Riley	150,885	66,012	20,278	22,633	259,808	256,898
B Wilson	25,000	-	-	-	25,000	25,000
	<u>838,620</u>	<u>466,512</u>	<u>37,590</u>	<u>79,741</u>	<u>1,422,463</u>	<u>1,436,489</u>

The aggregate emoluments and pension contributions of the highest paid director were £942,388 (2013: £923,447) and £57,108 (2013: £76,144) respectively. The aggregate emoluments of the highest paid director include bonus provision entitlement. During the year, contributions were paid to defined contribution money purchase pension schemes in respect of 2 (2013: 2) directors. The employers NIC on directors' remuneration during the year amounted to £182,238. Included within the prior year emoluments are pension contributions of £98,442. No directors received share options during the year (2013: £nil).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 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 £234,818 (2013: £245,992) and £53,897 (2013: £40,333) respectively. Group and Company contributions of £46,236 (2013: £30,644) and £11,493 (2013: £8,648) 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 INCOME AND EXPENSE

	2014 £000	2013 £000
Finance income:		
Interest receivable on bank deposits	<u>53</u>	<u>21</u>
Finance costs:		
Interest payable on bank and other loans	195	194
Dividend on Convertible Cumulative Preference Shares	<u>526</u>	<u>527</u>
	<u>721</u>	<u>721</u>

#### 12. TAX ON ORDINARY ACTIVITIES

No provision for corporation tax or deferred tax is required in respect of the year ended 30 June 2014. Estimated tax losses available for set-off against future trading profits amount to approximately £13.30m (2013: £23.44m) and, in addition, the available capital allowances pool is approximately £10.74m (2013: £12.82m). 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 22.5% (2013: 24%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	<u>11,170</u>	<u>9,739</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 22.5% (2013: 24%)	2,513	2,337
Effects of:		
Expenses not deductible for tax purposes	15	15
Depreciation for the period below capital allowances	(184)	(208)
Dividends reclassified as interest	118	126
Untaxed income	(173)	(176)
Other	8	(2)
Losses utilised in the year	<u>(2,297)</u>	<u>(2,092)</u>
Total tax charge for year	<u>-</u>	<u>-</u>

An explanation regarding the movement in deferred tax is provided at Note 19.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 13. DIVIDENDS PAYABLE

A 6% (before tax credit deduction) non-equity dividend of £0.53m (2013: £0.53m) was paid on 1 September 2014 to those holders of Convertible Cumulative Preference Shares on the share register at 29 July 2014. On 31 August 2007 the entitlement to a dividend on the Convertible Preferred Ordinary Shares ceased. A number of shareholders elected to participate in the Company's scrip dividend reinvestment scheme for the financial year to 30 June 2014. Those shareholders have received 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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Reconciliation of earnings to basic earnings:		
Net earnings attributable to equity holders of the parent	11,170	9,739
Basic earnings	<u>11,170</u>	<u>9,739</u>
Reconciliation of basic earnings to diluted earnings:		
Basic earnings	11,170	9,739
Non-equity share dividend	526	527
Diluted earnings	<u>11,696</u>	<u>10,266</u>
	<b>No.'000</b>	<b>No.'000</b>
Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Basic weighted average number of ordinary shares	91,485	90,730
Dilutive effect of convertible shares	<u>44,573</u>	<u>45,098</u>
Diluted weighted average number of ordinary shares	<u>136,058</u>	<u>135,828</u>

Earnings per share has been calculated by dividing the profit for the period of £11.17m (2013: £9.74m) by the weighted average number of Ordinary Shares of 91.5m (2013: 90.7m) in issue during the year. Diluted earnings per share as at 30 June 2014 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 2014 and June 2013 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 2014

### 15. PROPERTY, PLANT AND EQUIPMENT

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 2013	49,670	4,332	17,473	71,475
Additions	4,341	27	770	5,138
Disposals	(152)	(245)	(1,408)	(1,805)
<b>At 30 June 2014</b>	<b>53,859</b>	<b>4,114</b>	<b>16,835</b>	<b>74,808</b>
<b>Accumulated Depreciation</b>				
At 1 July 2013	2,488	2,392	14,139	19,019
Charge for year	537	243	967	1,747
Eliminated on disposal	-	(245)	(1,307)	(1,552)
<b>At 30 June 2014</b>	<b>3,025</b>	<b>2,390</b>	<b>13,799</b>	<b>19,214</b>
<b>Net Book Value</b>				
<b>At 30 June 2014</b>	<b>50,834</b>	<b>1,724</b>	<b>3,036</b>	<b>55,594</b>
At 30 June 2013	47,182	1,940	3,334	52,456
<b>Group and Company</b>				
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 2012	49,602	4,878	18,856	73,336
Additions	108	38	815	961
Disposals	(40)	(584)	(2,198)	(2,822)
<b>At 30 June 2013</b>	<b>49,670</b>	<b>4,332</b>	<b>17,473</b>	<b>71,475</b>
<b>Accumulated Depreciation</b>				
At 1 July 2012	1,957	2,621	15,306	19,884
Charge for year	534	356	933	1,823
Impairments	37	-	-	37
Eliminated on disposal	(40)	(585)	(2,100)	(2,725)
<b>At 30 June 2013</b>	<b>2,488</b>	<b>2,392</b>	<b>14,139</b>	<b>19,019</b>
<b>Net Book Value</b>				
<b>At 30 June 2013</b>	<b>47,182</b>	<b>1,940</b>	<b>3,334</b>	<b>52,456</b>
At 30 June 2012	47,645	2,257	3,550	53,452

Freehold land and buildings include capitalised interest of £0.43m (2013: £0.43m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 16. INTANGIBLE ASSETS

Group and Company	2014 £000	2013 £000
<b>Cost</b>		
At 1 July	28,473	28,737
Additions	8,070	9,665
Disposals	(9,068)	(9,929)
<b>At 30 June</b>	<u>27,475</u>	<u>28,473</u>
<b>Amortisation</b>		
At 1 July	18,675	21,404
Charge for year	5,300	5,930
Provision for impairment	4,089	501
Disposals	(7,786)	(9,160)
<b>At 30 June</b>	<u>20,278</u>	<u>18,675</u>
<b>Net Book Value</b>		
<b>At 30 June</b>	<u>7,197</u>	<u>9,798</u>

	2014 No.	2014 £000	2013 No.	2013 £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	1	1,494	-	-
Contract expiry within 3 years	1	1,401	3	5,227
Contract expiry within 4 years	-	-	-	-
	<u>2</u>	<u>2,895</u>	<u>3</u>	<u>5,227</u>

No individual intangible asset included above accounted for more than 21% of the total net book value of the intangible assets (2013: 24%). The opening net book value of intangible assets at 1 July 2013 was £9.80m and on 1 July 2012 was £7.33m.

The net gain on sale of intangible assets in the year was £17.05m (2013: £5.19m). The impairment provision in the current and prior year 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 impairment charge of £4.09m (2013: £0.50m) comprises no players (2013: 1) whose contracts expire within one year.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2014

### 17. INVESTMENTS

#### Subsidiaries

The Company's wholly owned subsidiary undertaking continues 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.

#### Other Investments

The Company also holds an investment of 2.38% in the equity share capital of The Scottish Professional Football League Limited, a company registered in Scotland.

### 18. INVENTORIES

	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Raw materials	32	26	-	-
Finished goods	1,664	1,708	-	-
	<u>1,696</u>	<u>1,734</u>	<u>-</u>	<u>-</u>

Inventories written down during the year amounted to £0.20m (2013: £0.05m). Inventories of £nil (2013: £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 £2.66m (2013: £5.39m) which represents losses carried forward of £13.30m @ 20% (2013: Loss £23.44m). 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 £10.74m (2013: £12.82m). 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 2014, the deferred tax asset not reflected in the Company's Financial Statements was £0.14m (2013: £0.43m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 20. TRADE & OTHER RECEIVABLES

	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Trade receivables	14,442	1,093	12,678	275
Provision for doubtful debts (see below)	<u>(211)</u>	<u>(147)</u>	<u>(39)</u>	<u>-</u>
	14,231	946	12,639	275
Prepayments and accrued income	2,625	2,891	348	390
Related party receivables	-	-	187	9,688
Other receivables	<u>402</u>	<u>97</u>	<u>85</u>	<u>84</u>
	<u><u>17,258</u></u>	<u><u>3,934</u></u>	<u><u>13,259</u></u>	<u><u>10,437</u></u>

Amounts falling due after more than one year included above are:

	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Trade receivables	<u>4,275</u>	<u>-</u>	<u>4,275</u>	<u>-</u>

The movement in the provision for doubtful debts was as follows:	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Opening balance	147	122	-	-
Balances written off	-	(155)	-	-
Change in provision	64	180	39	-
Balances recovered	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u><u>211</u></u>	<u><u>147</u></u>	<u><u>39</u></u>	<u><u>-</u></u>

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

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

#### 21. CASH AND CASH EQUIVALENTS

	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Cash at bank	14,716	14,325	14,539	11,901
Cash on hand	<u>23</u>	<u>23</u>	<u>-</u>	<u>-</u>
	14,739	14,348	14,539	11,901
Bank overdraft	<u>(689)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u><u>14,050</u></u>	<u><u>14,348</u></u>	<u><u>14,539</u></u>	<u><u>11,901</u></u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 22. SHARE CAPITAL

Group and Company	Authorised		Allotted, called up and fully paid			
	2014 No. '000	2013 No. '000	2014 No. '000	2014 £000	2013 No. '000	2013 £000
<b>Equity</b>						
Ordinary Shares of 1p each	221,393	220,867	91,754	918	91,152	912
Deferred Shares of 1p each	563,589	538,405	563,589	5,636	538,405	5,384
<b>Non-equity</b>						
Convertible Preferred Ordinary Shares of £1 each	15,620	15,855	13,633	13,633	13,868	13,868
Convertible Cumulative Preference Shares of 60p each	18,716	18,753	16,216	9,729	16,253	9,752
Less reallocated to debt under IAS 32:						
Initial debt	-	-	-	(2,864)	-	(2,925)
Capital reserve	-	-	-	(2,695)	-	(2,650)
	<b>819,318</b>	<b>793,880</b>	<b>685,192</b>	<b>24,357</b>	<b>659,678</b>	<b>24,341</b>

On 2 September 2013, 75,922 new Ordinary Shares of 1p each were issued in respect of mandates received from holders of Convertible Cumulative Preference 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. Since 30 June 2014, the Company had converted 428,800 Preferred Ordinary Shares. As at 10 September 2014, the latest practicable date before publication no conversion notices had been received in respect of conversion of 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 2014, 36,599 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. Since 30 June 2014, the Company had converted 55,021 Preference Shares. As at 10 September 2014, the latest practicable date before publication, notices had been received in respect of the conversion of 13,666 Preference Shares.

The current measurement of the debt element of the Convertible Cumulative Preference Shares in the Statement of Financial Position is £4.28m (2013: £4.35m). The difference between that liability and the amount initially recognised as debt arose as a result of interest expense charged during the initial period before dividends became payable.

The amount transferred to debt in respect of Convertible Preferred Ordinary Shares was subsequently transferred to equity within the Capital Reserve following the expiry of the rights to dividend (Note 23).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 22. SHARE CAPITAL (CONTINUED)

<b>Reconciliation of number of Ordinary Shares in issue:</b>	<b>2014</b>	<b>2013</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	91,152	90,275
Shares issued re scrip dividend scheme	76	130
Shares issued re Convertible Preferred Ordinary Share conversions	489	218
Shares issued re Preference Share Conversion	37	529
	<u>91,754</u>	<u>91,152</u>
Closing Balance	<u>91,754</u>	<u>91,152</u>

<b>Reconciliation of number of Deferred Shares in issue:</b>	<b>2014</b>	<b>2013</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	538,405	496,924
Shares issued re Convertible Preferred Ordinary Share conversions	23,025	10,266
Shares issued re Preference Share conversions	2,159	31,215
	<u>563,589</u>	<u>538,405</u>
Closing Balance	<u>563,589</u>	<u>538,405</u>

<b>Reconciliation of number of Convertible Preferred Ordinary Shares in issue:</b>	<b>2014</b>	<b>2013</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	13,868	13,972
Convertible Preferred Ordinary Share conversions to Ordinary and Deferred Shares	(235)	(104)
	<u>13,633</u>	<u>13,868</u>
Closing Balance	<u>13,633</u>	<u>13,868</u>

<b>Reconciliation of number of Convertible Cumulative Preference Shares in issue:</b>	<b>2014</b>	<b>2013</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	16,253	16,782
Convertible Cumulative Preference Share conversions to Ordinary and Deferred Shares	(37)	(529)
	<u>16,216</u>	<u>16,253</u>
Closing Balance	<u>16,216</u>	<u>16,253</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2014

### 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 £330,000 (2013: £342,000) 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 is 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 £0.25m (2013: £0.35m)

### 24. BORROWINGS – Group and Company

	2014 £000	2013 £000
Current portion of interest bearing liabilities	375	375
Non current portion of interest bearing liabilities	<u>9,844</u>	<u>10,219</u>
	<u>10,219</u>	<u>10,594</u>

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 £20.44m loan facility which is repayable in equal quarterly instalments from October 2009 until April 2019 and the balance 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. CURRENT LIABILITIES

	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Current portion of bank loans	375	375	375	375
Other loans	110	114	110	114
Accrued expenses	10,869	10,856	7,521	3,845
Trade and other payables	5,379	3,192	3,834	1,431
Bank overdraft	689	-	-	-
Provisions (see note 26)	265	1,240	-	-
	<u>17,687</u>	<u>15,777</u>	<u>11,840</u>	<u>5,765</u>

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

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 26. PROVISIONS FOR LIABILITIES

Group	Onerous lease £000	Dilapidations £000	Total £000
<b>Cost</b>			
At 1 July 2013	1,240	-	1,240
Provided for during the year	216	95	311
Utilised during the year	(239)	-	(239)
<b>At 30 June 2014</b>	<b>1,217</b>	<b>95</b>	<b>1,312</b>
Due within one year or less	262	3	265
Due after more than one year	955	92	1,047
<b>At 30 June 2014</b>	<b>1,217</b>	<b>95</b>	<b>1,312</b>

During the prior year, the Directors identified certain retail outlets as being loss-making units. It was viewed that there was no alternative commercial course of action that would result in unavoidable lease costs being more fully recoverable and as a result, a provision was made for onerous lease contracts relating to these outlets. The current year balance on the provision is the Directors' best estimate of future losses.

Additionally, during the current year, the Directors identified a requirement to make good dilapidations at certain retail outlets and as such the current year balance reflects the Directors' best estimate of the potential costs involved.

There are no such provisions held within the Company.

#### 27. DEFERRED INCOME

	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Income deferred less than one year	<u>9,732</u>	<u>9,253</u>	<u>-</u>	<u>-</u>

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

	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Income deferred after more than one year	<u>59</u>	<u>119</u>	<u>-</u>	<u>-</u>

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 2014/15.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 28. CAPITAL AND OTHER FINANCIAL COMMITMENTS

##### a. Capital commitments

	2014	2013
<b>Group and Company</b>	<b>£000</b>	<b>£000</b>
Authorised and contracted for	162	282

##### b. Other commitments

At 30 June 2014 the Group had commitments under operating leases as follows:

	Land & Buildings		Other	
	2014	2013	2014	2013
	£000	£000	£000	£000
<b>Amounts payable:</b>				
Within 1 year	770	900	17	12
Between 2 and 5 years	1,398	1,648	21	1
In more than 5 years	597	656	-	-

Lease payments recognised in the income statement for the period amounted to £1.16m (2013: £1.06m).

##### 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 could 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 2014 could result in an amount payable of £3.55m (2013: £2.92m), of which £1.85m could arise within one year and amounts receivable of £2.25m (2013: £1.57m), of which £1.00m (2013: £0.05m) could arise within one year.

	2014	2013
<b>Group and Company</b>	<b>£000</b>	<b>£000</b>
<b>Conditions for triggering additional amounts payable:</b>		
Appearances	751	1,170
Success achievements	480	129
Appearances and success achievements	1,141	429
Registered at a future pre-determined date	1,180	1,191
	3,552	2,919
Number of players contingent transfer fee payable relates to	34	36

##### d. Cross guarantees

Cross guarantees exist between the Company and its subsidiary undertakings in respect of the Co-operative Bank borrowings. The extent of these at 30 June 2014 was £nil (2013: £nil).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 29. FINANCIAL INSTRUMENTS – Group and Company

The principal financial instruments during the financial year ended 30 June 2014 and as at the balance sheet date were trade receivables (Note 20) and payables (Note 25), bank borrowings (Note 24), cash (Note 21) and compound financial instruments. The financial assets are trade receivables 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.

Trade receivables are subject to standard payment terms and conditions. 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 the 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 financial year.

The UK economy has experienced a level of recovery during the year and although several major banks remain partly owned by the Government, it is widely considered that there is now relative stability in the financial sector. In terms of financial risks, the Group has not been subject to significant adverse effects from the financial downturn of recent years and therefore with the improving situation across the economy, these risks remain unchanged from 2013.

#### Interest Rate Risk

The working capital of the Group and Company is funded largely by bank borrowings. The Group and Company has a £32.44m facility with the Co-operative Bank of which £12m is in the form of overdraft and £20.44m 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. £10.22m (2013: £10.59m) of the loan facility is required to be drawn down for the term of the facility agreement. In 2013/14, fixed rate periods were each for three months and the average balance on the loans was £10.39m (2013: £10.76m). During the course of the year, the Group had an average credit balance on the overdraft facility of £11.28m (2013: £6.98m). The average overdraft rate applicable during the year was 1.50% (2013: 1.50%) and the average loan rate 1.68% (2013: 1.65%). 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 2013.

Based on the average levels of debt in the year to 30 June 2014 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 £0.11m (2013: £0.11m). 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 2013.

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 2013. 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 2014 and 30 June 2013 and details of applicable interest rates on these liabilities are disclosed in Notes 24 and 25.

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

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 29. FINANCIAL INSTRUMENTS (CONTINUED)

Of the available bank facilities of £32.44m (2013: £33.19m), of which £20.44m is represented by long-term loans and £12.00m by overdraft, £22.22m (2013: £22.59m) remains undrawn at the balance sheet date as follows:

	2014 £000	2013 £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	8,344	8,719
Overdraft repayable on demand	12,000	12,000
	22,219	22,594

The overdraft, which is repayable on demand, was due for review on 31 August 2014. Since the year end date the Group has entered into a new borrowing facility arrangement, details of which can be found in note 30.

#### 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 partners. Executive management are responsible for most day-to-day aspects of credit management although contracts of significance, in terms of being in excess of a predetermined value, are referred to the Board.

As at 30 June 2014, £1.00m representing 7% of trade receivables of the Group of £14.44m were past due but not impaired (2013: £0.75m, 70%) and £0.06m representing 0% of the trade receivables of the Company of £13.26m were past due but not impaired (2013: £0.27m, 75%). Group trade receivables of £0.21m (2013: £0.15m) 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:

	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Trade receivables:				
Up to 30 days past due	595	442	1	119
Between 60 and 30 days past due	116	180	-	97
Over 60 days past due	290	133	54	53
	1,001	755	55	269

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 29. FINANCIAL INSTRUMENTS (CONTINUED)

The Group and Company are also exposed to credit risk through cash balances held with the under noted banks

	2014 Group £000	2013 Group £000	2014 Company £000	2013 Company £000
Co-operative Bank	117	4,164	117	1,901
Royal Bank of Scotland	2,201	-	2,201	-
Allied Irish Bank	177	161	-	-
Barclays	4,063	2,750	4,063	2,750
Santander	3,152	2,750	3,152	2,750
HSBC	5,006	4,500	5,006	4,500
Sub total	<u>14,716</u>	<u>14,325</u>	<u>14,539</u>	<u>11,901</u>
Cash on hand	23	23	-	-
	<u>14,739</u>	<u>14,348</u>	<u>14,539</u>	<u>11,901</u>
Co-operative Bank overdraft	<u>(689)</u>	-	-	-
Cash and cash equivalents	<u><u>14,050</u></u>	<u><u>14,348</u></u>	<u><u>14,539</u></u>	<u><u>11,901</u></u>

The Group deposits surplus funds in a number of banks in accordance with the Group's treasury management policy based on internal credit limits aligned with Moody's ratings in order to restrict credit risk to financial assets in the form of monetary deposits. However, throughout both 2014 and 2013, the Co-operative Bank was in a net lending position, as £10.22m (2013: £10.59m) of the available loan facility, as noted above, is required to be drawn down for the term of the facility agreement.

#### 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 2014 76% of trade payables of the Group were due to be paid within one month (2013: 46%) and 52% of trade payables of the Company were due to be paid within one month (2013: 9%).

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 £0.11m (2013: £0.11m) 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 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 2014

#### 29. FINANCIAL INSTRUMENTS (CONTINUED)

Contractual maturity analysis for financial liabilities:

	2014 Group £000	2014 Group £000	2014 Group £000	2014 Group £000	2014 Group £000	2014 Group £000
	Due between 0 to 3 months	Due between 3 to 12 months	Due between 1 to 5 years	Due after 5 years	In perpetuity	Total
Non-current borrowings	-	-	2,392	8,104	-	10,496
Trade and other payables	15,384	1,292	1,047	-	-	17,723
Current borrowings	110	-	-	-	-	110
Current portion of non-current borrowings	94	281	-	-	-	375
Convertible cumulative Preference Share dividends*	-	-	-	-	526	526
<b>Total</b>	<b>15,588</b>	<b>1,573</b>	<b>3,439</b>	<b>8,104</b>	<b>526</b>	<b>29,230</b>

	2013 Group £000	2013 Group £000	2013 Group £000	2013 Group £000	2013 Group £000	2013 Group £000
	Due between 0 to 3 months	Due between 3 to 12 months	Due between 1 to 5 years	Due after 5 years	In perpetuity	Total
Non-current borrowings	-	-	2,392	8,760	-	11,152
Trade and other payables	12,444	-	2,317	-	-	14,761
Current borrowings	114	-	-	-	-	114
Current portion of non-current borrowings	94	281	-	-	-	375
Convertible cumulative Preference Share dividends*	-	-	-	-	527	527
<b>Total</b>	<b>12,652</b>	<b>281</b>	<b>4,709</b>	<b>8,760</b>	<b>527</b>	<b>26,929</b>

	2014 Company £000	2014 Company £000	2014 Company £000	2014 Company £000	2014 Company £000	2014 Company £000
	Due between 0 to 3 months	Due between 3 to 12 months	Due between 1 to 5 years	Due after 5 years	In perpetuity	Total
Non-current borrowings	-	-	2,392	8,104	-	10,496
Trade and other payables	9,737	1,092	-	-	-	10,829
Current borrowings	110	-	-	-	-	110
Current portion of non-current borrowings	94	281	-	-	-	375
Convertible cumulative Preference Share dividends*	-	-	-	-	526	526
<b>Total</b>	<b>9,941</b>	<b>1,373</b>	<b>2,392</b>	<b>8,104</b>	<b>526</b>	<b>22,336</b>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 29. FINANCIAL INSTRUMENTS (CONTINUED)

	2013 Company £000	2013 Company £000	2013 Company £000	2013 Company £000	2013 Company £000	2013 Company £000
	Due between 0 to 3 months	Due between 3 to 12 months	Due between 1 to 5 years	Due after 5 years	In perpetuity	Total
Non-current borrowings	-	-	2,392	8,760	-	11,152
Trade and other payables	3,447	-	1,302	-	-	4,749
Current borrowings	114	-	-	-	-	114
Current portion of non-current borrowings	94	281	-	-	-	375
Convertible cumulative Preference Share dividends*	-	-	-	-	527	527
<b>Total</b>	<b>3,655</b>	<b>281</b>	<b>3,694</b>	<b>8,760</b>	<b>527</b>	<b>16,917</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 (2013: £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.

#### 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 23 (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 £33.19m 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2014

#### 30. POST BALANCE SHEET EVENTS

Since the balance sheet date further expenditure, including loan fees, of £4.96m has been committed in acquiring player registrations. Post year-end player registrations have been disposed of with net sale proceeds of £8.05m.

Following a review of potential future banking facility requirements, the Company entered into a new lending agreement with the Co-operative Bank effective as of 30 August 2014. This new agreement has a combined borrowing facility of £20.40m, which consists of a £6.00m revolving credit facility and £14.40m in long term loans. The revolving credit facility will bear interest at base rate plus 1.00% and will reduce by £0.50m after year one and a further £0.50m after year two. The facility will be repaid or reviewed after three years.

The long term loans will 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. The loans are repayable in equal quarterly instalments of £0.05m from the commencement date until full repayment of £12.40m in July 2019. The Group has the option to repay the loans earlier than these dates without penalty.

The borrowing facility will continue to be secured over Celtic Park, land adjoining the stadium and at Westhorn and Lennoxton.

#### 31. RELATED PARTY TRANSACTIONS

Celtic plc undertakes related party transactions with its subsidiary company Celtic F.C. Limited which are governed by a management services agreement. This agreement covers the recharge of certain direct expenditure and income, where applicable, from Celtic plc to Celtic F.C. Limited as well as the rental of certain properties at Celtic Park to Celtic F.C. Limited. The amount recharged in the year by Celtic plc to Celtic F.C. Limited was £18.76m (2013: £15.24m). The balance outstanding at the year end is disclosed in Note 25.

The salaries paid to related parties with regard to Directors' emoluments have been disclosed in the Remuneration Report on page 31. There are no outstanding balances at the year end (2013: £nil).

Key management personnel are deemed the Directors as outlined in note 9. The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## CELTIC FC FOUNDATION

### **Celtic FC Foundation**

Celtic FC Foundation (formerly Celtic Charity Fund) is a Scottish Charitable Incorporated Organisation (“SCIO”). The SCIO was incorporated on 21 October 2013 as a result of a change to the SCIO application by Celtic Charity Fund which was a Trust registered as a charity since 29 March 1996. The organisation is independent of Celtic plc which continues to provide in-kind support including use of stadium, management and administrative assistance together with a variety of items including match tickets, signed merchandise and stadium tours which were used for fundraising purposes. A summary of the key activities of the Foundation, which does not form part of the audited financial statements, are as noted below.

Celtic FC Foundation enjoyed its most successful year to date. The commitment, participation and passion of the Celtic Family helped raise over £1.8m for a range of worthy causes. The total financial contribution to those good causes was £1.3m.

Phenomenal support was received by the Celtic Family in a series of fundraising initiatives and events. Activities included:

#### *Season Ticket Renewals 2013/14*

For the second year in a row, season ticket renewal packs included a £1 ‘opt out’ donation to Celtic FC Foundation and a wonderful total of £17,141 was donated by the Celtic Family.

#### *Skydive for Stiliyan, Saturday, August 25, 2013*

Our trio of events to celebrate the career of Stiliyan Petrov kicked off with our inaugural skydive initiative. A total of 18 daredevil and courageous Celtic staff and supporters jumped out of a plane (strapped to a man!) at 10,000 feet to do a tandem ‘Skydive for Stiliyan’. The beneficiary was the new Stiliyan Petrov Foundation, which aims to help address the issues involved when people receive a leukaemia diagnosis.

#### *An Evening with Stiliyan Petrov and Guests, Saturday, September 7, 2013*

Hosted in the Kerrydale Suite at Celtic Park, this event saw Stiliyan and his family join together with a host of footballing legends and celebrities to celebrate Stiliyan’s career and his courage and the evening included a three-course meal, auction, raffle and live entertainment.

#### *#19 - the Stiliyan Petrov Legend’s Charity Match, Sunday, September 8, 2013*

Celtic Park welcomed a capacity crowd for this unique event which saw Stiliyan and a host of his former team-mates from across his illustrious career - together with a number of other footballing legends and celebrity fans - battle it out on the pitch at Celtic Park - Celtic XI v Stiliyan XI. The full house witnessed a fantastic occasion and subsequent donations were made to the Stiliyan Petrov Foundation and the Glasgow North East Foodbank, in conjunction with the Trussell Trust.

#### *Paradise to Cardenden Cycle, Sunday, September 15, 2013*

Around 30 brave cyclists made their way from Celtic Park to Cardenden in Fife, the resting place of legendary Celtic goalkeeper, John Thomson. Battling the elements, the group completed the 64-mile journey and laid a wreath at the grave of the ‘Prince of Goalkeepers’.

#### *Great Scottish Run, Sunday, October 6, 2013*

A total of 25 supporters took part in the 2013 Great Scottish Run in Glasgow and raised a magnificent total of around £8,000 for Celtic FC Foundation.

## CELTIC FC FOUNDATION

### Celtic Charity Cup, Saturday, October 12, 2013

The seventh year of the Celtic Charity Cup five-a-side tournament was held at Celtic FC's Lennoxtown training facility and saw 16 teams fight it out to lift the trophy. Pulse8 were the victors on the day and all teams raised £5,320 for Celtic FC Foundation.

### Celtic Charity Wonderland, Sunday, December 15, 2013

Held in the Kerrydale Suite at Celtic Park, the evening was hosted by Scottish actor and Celtic supporter, Martin Compston, and it kicked off with a champagne toast followed by Cruise Catwalk Show. The festive extravaganza proved to be a great success as £12,500 was subsequently donated to the evening's main beneficiary - CHAS (Children's Hospice Association Scotland). The guests who attended ensured a wonderful, feel-good atmosphere with each donating a gift for a sick or disadvantaged child at Christmas.

### Celtic Christmas Appeal 2013

Thanks to the generosity of so many people connected to the Club - players, directors, staff, our supporters and corporate donors, a magnificent total of over £60,000 was distributed to good causes. Beneficiaries included 166 local families, Yorkhill Children's Foundation, Glasgow East Women's Aid, Spirit Aid, Glasgow Simon Community, Loaves and Fishes, The Wayside Club Centre, Glasgow City Mission and Lodging House Mission.

### Annual Sporting Dinner, March 27 2014

Supported by BT Sport, the sell-out event proved to be a great success, with the incredible amount of more than £60,000 raised. The principal beneficiary of the dinner was our 'Ability Counts' project.

### Charity Badge Day, Sunday, May 11, 2014

On trophy presentation day, we hosted a charity badge day to celebrate the twentieth anniversary of Celtic FC's historical new era and redefined focus on our charitable pedigree. Over 100 volunteers gave up their time to support the event and ensured that badges – illustrating the Celtic FC Foundation crest – were available at all turnstile areas. Thanks to their efforts and the phenomenal support from the Celtic Family, a total of around £16,000 was raised. The net proceeds are now supporting our efforts to challenge homelessness in the greater Glasgow area.

### 1888 Charity Shield, Monday May 26, 2014

This seven-a-side tournament was held on the hallowed turf at Celtic Park and saw 16 teams fight it out to lift the Shield. The Des Hamilton Casting squad emerged triumphant. For the second year in a row, the principal sponsor of the event was Glasgow family firm, ACE Refrigeration. The tournament raised a net total in excess of £16,000 and will support Celtic FC Foundation's work with disabled children in local communities and, in particular, our partnership with Scottish Disability Sport.

### Ben Nevis Huddle, June 28, 2014

Around 150 supporters climbed to the summit of Ben Nevis and took part in an astonishing Celtic huddle! They also raised a wonderful net total, in the region £26,000, for Celtic FC Foundation.

# CELTIC FC FOUNDATION

## **Business Development and Projects**

2013/14 has been our most successful year to date, with over 30 projects being delivered to help tackle issues across Health, Equality, Learning and Poverty.

Delivery of projects has continued to develop and grow across Glasgow and this year has also taken us into new areas of work in Inverclyde, Ireland and London.

We have made great progress in securing longer term funding for our projects and have several long-term applications being submitted in the coming months. This will ensure sustainability of our work and longer term support for the communities we are delivering in.

We have received fantastic support over the year from our existing and also new strategic partners. We are looking forward to implementing some exciting new projects in 2014/2015, including, a three-year Scottish Government CashBack funded employability project for young offenders and also expanding our Gateway to Health project for adults looking to improve their overall health and wellbeing through our partnership with Clyde Gateway and West of Scotland Housing Association.

Our projects for 2013/2014 included:

### Urban Stars

Supported by Active Communities Network, Clyde Gateway and West of Scotland Housing Association and in its third successful year of delivery, our Urban Stars youth diversionary project has continued to develop and grow. We now deliver Urban Stars four evenings a week, with a variety of activities for young people to enjoy, including, dance, football, boxing and music.

### Result

In partnership with NHS, Glasgow North East Community Health and Care Partnership and the British Lung Foundation, this successful project engages and supports people who have chronic obstructive pulmonary disease. With four intakes now complete, we are looking forward to a fifth intake in Autumn 2014.

### Ability Counts

Operating since 2011, this successful partnership project between Celtic FC Foundation and Down's Syndrome Scotland uses the power of dance and football coaching to engage with children and young people with Down's Syndrome. The proceeds raised this year from the Annual Sporting Dinner will ensure the project grows and develops further over the next two years.

### Scottish Disability Sports

Scottish Disability Sport and Celtic FC Foundation have formed a unique partnership to increase opportunities for children, athletes and players with a disability to access sport. Funds were raised from the 1888 Charity Shield seven-a-side tournament, which was sponsored by Ace Refrigeration. Activities include, football, boccia, judo and wheelchair basketball.

### My Club

In partnership with the Princes Trust, My Club is an employability project for young people. With two successful intakes completed, we have moved several young people through certified training and progressed them into volunteering and job opportunities. Our third intake of My Club will commence in September 2014.

### Football Fans in Training

An extremely popular health and wellbeing project for Celtic fans delivered through our partnership with the SPFL Trust. The project has been studied for a number of years and celebrated great success with an extremely positive insert in the Lancet journal this year, showcasing the success of participants weight loss and health improvements.

Due to the success of Football Fans in Training for men, we are launching a female version of the project in August 2014.

## CELTIC FC FOUNDATION

### Summer Games Glasgow

In July and August of 2013, Celtic Park played host once again to our Summer Games Project. This diversionary project was a development on our 2012 offering for vulnerable children and young people from disadvantaged communities. Over 40 young people attended the Summer Games project for three-days a week and were provided with a variety of activities, including, football, dance and fun inflatables. There were also a variety of workshops for the young people attending to build confidence and self esteem.

### Summer Games Ability Counts

Celtic Park hosted our Ability Counts Summer Games project. The project engaged with children and young people with Down's Syndrome and their siblings, giving them an opportunity to play together and meet new friends whilst having fun coaching sessions over the school holidays.

### Summer Games London

Summer of 2013 saw us launch our first ever London based summer project. This youth diversionary project was based in Poplar Harca in the East End of London and engaged with young people and provided a variety of diversionary activities. Due to the success of the pilot we are looking forward to delivering our second project starting in August 2014. The London events are funded through private donations.

### GAA Camps

The GAA and Celtic FC Foundation this year extended their Youth Leadership Programme to Scotland.

Last year, the 'Let's Go; Lead Through Sport' initiative was launched at Croke Park in Dublin and courses have already taken place in Sligo, Lurgan and Dublin, catering for boys and girls between the ages of 13-16. The camps aim to bring together young people from different sporting and cultural backgrounds using coaching sessions in both Gaelic games and football, delivered by coaching staff from both the GAA and Celtic FC Foundation.

The coaching sessions are complemented by an innovative off-field programme that is intended to enhance the life-skills of the participants in a number of targeted areas.

Following the success of the Irish programme of events, training camps have now taken place in North Lanarkshire with Inverclyde due to launch in August 2014 and Glasgow to follow later in 2014.

### Fernhill Boxing

Following on from the success of our boxing pilot in Camlachie, we have now extended our boxing coaching project to Fernhill in South Lanarkshire. Young people are provided with weekly boxing coaching sessions and four-weekly visits to a professional boxing gym where young people showing potential can develop their boxing skills in a safe and supportive environment.

### Better Futures

Supported by West of Scotland Housing Association, Better Futures is an exciting new project that engages with children and young people across three areas, Camlachie, Cowlares and Fernhill. The project uses the power of art workshops and football coaching for young people to learn about multi faiths within their communities and encourage tolerance and respect.

## CELTIC FC FOUNDATION

### In-Kind Support

In addition to the many cash donations received, Celtic Football Club once again contributed a substantial level of in-kind support costs in relation to the Wonderland event, Annual Sporting Dinner and Charity Staff Day. These costs covered catering, staffing and venue hire, plus a wide range of auction and silent auction prizes which were provided free of charge, with a market value of £47,796.

The Club also made direct in-kind contributions to a wide range of worthy causes throughout the season in the form of match tickets, signed merchandise, stadium tours and a range of other items. The estimated retail value of the Club's in-kind contribution in 2013/14 was £168,171 increasing to a potential market value of £211,170 taking account of donated items then being used for fundraising purposes.

### Thank You

We would like to record our sincere thanks to our Celtic FC Foundation Trustees who worked tirelessly throughout the year to ensure our continued success and the maintenance of the Club's charitable principles.

As in previous years, we would like to record appreciation of Fundraising Action Group members Charles Barnett, Tom Boyd and John Maguire for their superb efforts during 2013/14 and also to the Supporters' Committee - Mark Cameron, Paul Brennan, Jim McGinley, Joe O'Rourke and, once again, Tom Boyd.

*You can help us build on this.*

Individual charitable donations, without doubt, make a genuine difference to the lives of others. When we pull our resources and make cumulative contributions on behalf of the Celtic Family, together we generate a huge impact on our very own doorstep and beyond.

Celtic FC Foundation belongs to the Celtic Family – from the directors and shareholders of the Club, to players, our staff, supporters, sponsors and partners.

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

If you wish to support Celtic FC Foundation, please contact:-

Jane Maguire  
Celtic FC Foundation  
Celtic Park  
GLASGOW  
G40 3RE

Tel:- 0141 551 4262

Email:- [janemaguire@celticfc.co.uk](mailto:janemaguire@celticfc.co.uk)