

# Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2016

COMPANIES HOUSE  
30 NOV 2016  
EDINBURGH FRONT DESK

WEDNESDAY



\*S5KUBY2Z\*

SCT

30/11/2016

#98

COMPANIES HOUSE

Registered No: SC 3487

## CONTENT

Summary of the Results	2
Directors, Officers and Advisers	3
Chairman's Statement	4
Chief Executive's Review	5
Strategic Report	6
Directors' Report	17
Corporate Governance	22
Remuneration Report	26
Directors' Responsibilities Statement	29
Five Year Record	30
Independent Auditor's Report to the Members	31
Consolidated Statement of Comprehensive Income	32
Consolidated Balance Sheet	33
Company Balance Sheet	34
Statements of Changes in Equity	35
Consolidated Cash Flow Statement	36
Company Cash Flow Statement	37
Notes to the Financial Statements	38

# Celtic plc

## SUMMARY OF RESULTS

### SUMMARY OF THE RESULTS

#### Operational Highlights

- Winner of the SPFL Premiership – 5 in a row
- Participated in the UEFA Europa League playing 6 home European matches (2015: 6)
- 28 home matches played at Celtic Park (2015: 29)
- New shirt sponsorship with Dafabet and Magners
- Unveiling of Billy McNeill statue

#### Financial Highlights

- Group revenue increased by 1.8% to £52.0m
- Operating expenses increased by 7.3% to £57.1m
- Exceptional costs of £1.7m (2015: £0.7m)
- Gain on sale of player registrations of £12.6m (2015: £6.8m)
- Profit before taxation of £0.5m (2015: loss of £3.9m)
- Year-end net cash at bank of £3.6m (2015: £4.7m)
- Investment in football personnel of £8.8m (2015: £9.4m)

# Celtic plc

## DIRECTORS, OFFICERS & ADVISERS

### 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)  
Christopher McKay (Financial Director from 1 January 2016)  
Eric J Riley (Financial Director until 31 December 2015)^  
Brian D H Wilson\*

§ Senior Independent Director

\* Independent Non-Executive Director

^ Non-Executive Director from 1 January 2016 until 30 June 2016

# Non-Executive 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\*

#### Auditor

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

#### Audit Committee

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

#### Nomination Committee

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

#### Football Manager

Ronny Deila until 27 May 2016  
Brendan Rodgers from 1 June 2016

#### 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

These results, which show a profit before taxation of £0.5m compared to loss before tax of £3.9m last year, in comparable trading conditions, reflect in large part the increased contribution during the year from the sale of player registrations. Following two seasons in which the Club did not qualify for the Group Stages of the UEFA Champions League, the increased contribution from player trading enabled the Company to maintain investment in football operations and to continue to build for the future.

The Board continues to believe that the Company's self sustaining financial model provides the necessary stability to preserve the long term future of the Club and player trading remains an important element of that model. Allied to player trading is the creation of the next generation of Celtic stars in our Youth Academy and I am glad to say that season 2015/16 saw a great example of that Celtic tradition, with Kieran Tierney establishing himself in the first team, being rewarded with his first full international call up for Scotland and being named PFA Scotland Young Player of the Year.

During the year, Ronny Deila decided to leave the Club at the end of season 2015/16. Ronny signed off with success, as Celtic were crowned champions of Scotland at the end of the season, making it five in a row. On behalf of the Board, I would like to thank Ronny for his contribution to the Club during his time here and to wish him the best for the future.

Following an exhaustive recruitment process, the Club was delighted to announce the appointment of Brendan Rodgers as manager in May. The scenes at Celtic Park as Brendan was unveiled were fantastic and created a real sense of optimism for the season ahead. I am delighted to say that, so far, that optimism has been realised this season, as the team has qualified for the Group Stages of the UEFA Champions League and currently sits top of the SPFL Premiership table playing attractive, attacking football. We welcome Brendan and his staff to Celtic Park and congratulate them and the team on the success to date. We will continue to support them to deliver football success.

The Club remains committed to improving the football environment in which Celtic plays. At a time of change, it is important that we continue to be at the forefront of the development of the game. Peter Lawwell, our Chief Executive, sits on the board of the SPFL, the European Club Association and the Club Competition Committee of UEFA. The Club continues to work with clubs and all those involved in football governance to identify means in which to improve the game in Europe.

During the year, Eric Riley resigned as Financial Director of the Company with effect from 31 December 2015. On behalf of the Board, I would like to thank Eric for his huge commitment to the Company, his distinguished service over 20 years and his vital role in the development of the Company and the promotion of the game in Scotland. Eric remained as a non-executive director until 30 June 2016 to assist with the handover to his replacement, Chris McKay, and remains a member of the board of The Celtic Football and Athletic Company. The Board welcomes Chris, who joined from global consultancy firm, Deloitte.

In closing, I am pleased to say that the year to June 2016 also saw continued success for the Celtic FC Foundation. I thank all those involved in the operation of the Foundation and in donating time and money to it, as it is such an important part of what our Club is all about.

As we look forward with confidence to the year ahead, on behalf of the Board I thank our supporters, shareholders, sponsors, partners and colleagues. We all share the same desire - the best for Celtic. We will continue to strive to deliver that.

**Ian P Bankier**  
**19 September 2016**  
**Chairman**

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

On the pitch, the year to 30 June 2016 did not meet with our expectations. Whilst the SPFL Premiership title was retained, our performances in the domestic cup competitions and in European competition were poor, as the Club failed to reach either domestic cup final and failed to qualify for the Group Stages of the UEFA Champions League for the second successive season. Off the pitch the Company returned to profit, mainly as a result of the transfer of certain player registrations during the period leading to a gain on sale of player registrations of £12.6m (2015: £6.8m). This enables us to continue to deliver long term sustainable football success in a very challenging environment.

After a more successful first season, Ronny Deila decided to leave the Club at the end of last season and goes with our best wishes. His second league title, and the Club's fifth title in a row, provided a good base for Brendan Rodgers to build on, which he did by qualifying for the Group Stages of the UEFA Champions League. In welcoming Brendan and his staff, I must congratulate them and the team on that achievement, so soon after Brendan's arrival at the Club. I know that Brendan is committed to bringing success to the Club and the Board will support him in that effort. Our objectives during this season remain success in all three domestic competitions and in the UEFA Champions League.

For a club like Celtic, operating in a market where television values have fallen significantly behind our neighbours across Europe, qualification for the Group Stages of the UEFA Champions League is of paramount importance. The financial rewards allow for investment in the playing squad and physical assets, but moreover, the prestige of participating in the premier club competition in the world reinforces the reach and importance of the Club to so many people around the world.

Fundamentally, Celtic is a Champions League club; our infrastructure and continued investment reflect that. At a time when the direction of travel in European football is towards elite level clubs, we must remain at the forefront of developments in the game domestically and across Europe. Celtic should be at the top of the game in Europe and the Board and I have that objective as a priority. We continue to work tirelessly on seeking to improve the football environment in which the Club operates.

We remain of the opinion that our core strategy should remain focussed on a football operation with a self sustaining financial model, relying upon: the youth academy; player development with world class coaching; player recruitment; management of the player pool; and sports science and performance analysis. The Youth Academy continues to form an important part of our strategy. This year the investment made in the Academy and the partnership with St Ninian's High School continued to deliver positive outcomes, as Kieran Tierney became a regular in the first team and Aiden Nesbitt, Joe Thompson, Anthony Ralston and Jack Aitchison all made competitive first team debuts, with Jack becoming the youngest ever first team debutant and the youngest player to score in his first game for Celtic. The ultimate objective, for the players and the Club, is to create Champions League players, playing the Celtic Way and this year Kieran made his debut in the competition.

During the year, I was immensely proud to join Billy McNeill and his family on the Celtic Way to unveil the magnificent statue of Billy lifting the European Cup. Billy will always embody the Celtic Way and the statue stands as a fitting tribute to a true Celtic legend and as inspiration to the next generations of young players who learn to love the game at Celtic Park.

Celtic supporters continue to support the Celtic FC Foundation as it develops into one of the most successful club charitable organisations in the world. That support is not surprising, but it is not taken for granted. I thank everyone involved in the continued success of the Foundation.

None is the continued success of Celtic to be taken for granted. It requires hard work and commitment, both on and off the field. I thank all of my colleagues, our supporters, shareholders and club partners for all of their efforts in support of such an important cause.



**Peter Lawwell**  
**19 September 2016**  
**Chief Executive**

# Celtic plc

## STRATEGIC REPORT

### STRATEGY AND BUSINESS MODEL

The Group's objective is to create a world class football club through our strategy and business model for growth focusing on three key areas:

- (i) **Core Business** – football operations with self sustaining financial model, relying upon: youth academy; player development; player recruitment; management of the player pool; sports science & performance analysis; and football success.
- (ii) **Development of the Celtic Brand**, incorporating the Celtic Park Masterplan and the development of international revenues.
- (iii) **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 of Celtic Plc, 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;

- (i) Football and Stadium Operations;
- (ii) Merchandising; and
- (iii) 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 as noted above.

Monthly management accounts are prepared highlighting performance against budget and the prior year, detailing analysis of sales performance and total cost control including total labour costs and capital expenditure. The

# Celtic plc

## STRATEGIC REPORT

management accounts also include regular re-forecasts of the anticipated outturn performance for the financial year end to which they pertain.

Actual and forecast performance is fully considered at the regular Board meetings linking back to profit and cash generation as well as total shareholder value. Management meetings are held to discuss actual and forecast performance with future action agreed accordingly. On a weekly basis, performance is reported through a series of key performance indicators, which are shared with business decision makers and managers, including divisional sales and match attendance analysis.

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, under the sub headings which follow, as appropriate.

### **(i) FOOTBALL & STADIUM OPERATIONS**

#### **OVERVIEW**

The Club enjoyed mixed fortunes on the field in 2015/16, winning our fifth Scottish Premiership title in a row eventually finishing the season with 86 points, 15 ahead of Aberdeen, but missing out in European and domestic cup competitions.

Disappointingly, we failed to qualify for the lucrative UEFA Champions League group stages or to progress beyond the group stage of the Europa League.

Domestically, we exited at the semi-final of the William Hill Scottish Cup, and lost out at the same stage of the League Cup against eventual winners Ross County.

Leigh Griffiths was the Premiership's top scorer with 31 league goals, having scored 40 goals in total in all competitions, and was named Scottish Football Writers' Association Footballer of the Year, as well as capturing the PFA Scotland Players' Player of the Year award. Teammate Kieran Tierney scooped the Young Player prize.

Further changes to the playing squad took place during the 2015/16 season with the arrival of with the arrival of Jozo Simunovic, Logan Bailley, Kristoffer Ajer, Nadir Ciftci, Saidy Janko, Erik Sviatchenko, Carlton Cole and Colin Kazim-Richards however, prudent management of the player pool remains a key part of our strategy, in terms of maintaining a strong first team squad and investing for the future.

Towards the end of the season, manager Ronny Deila, assistant John Collins and two other senior members of their backroom team departed the Club after two years at the helm, leaving with our very best wishes.

Following their departure, Celtic was delighted to be able to announce the appointment of one of the most highly regarded and sought after managers in Europe in former Liverpool boss Brendan Rodgers. The Northern Irishman joined the Club on 1<sup>st</sup> June 2016, and was quick to secure the services of two respected former colleagues in Assistant Manager, Chris Davies, and Head of Performance, Glen Driscoll. The new team have brought a vast amount of experience and professionalism to the football backroom operation.

We remain committed to the strategy of careful use of our financial resources, whilst continuing our efforts to strengthen the first team squad and develop young, high-potential talent. Our Training Centre at Lennoxtown continues to offer numerous benefits, helping to ensure that players are recruited, developed and supported in the most professional, progressive but cost effective way possible.

Investment continues in the infrastructure, providing first class people, resources, systems and facilities and thereby offering the greatest opportunity for ongoing football success.

#### **YOUTH ACADEMY**

Our main aim is to develop players, not only for the first team, but capable of playing in the Champions League. Celtic's Academy has Platinum status, awarded by the Scottish Football Association, recognising that we have met the highest criteria set out by our governing body.

# Celtic plc

## STRATEGIC REPORT

Our main success this year has been the emergence of Kieran Tierney, who has become a regular in the first team. Aidan Nesbitt, Joe Thompson and Anthony Ralston made their competitive debuts in season 2015/16, with Jack Aitchison becoming the youngest ever first team debutant and the youngest to score in his first game for the Club.

Whilst working hard at developing our young players, we have also had success on the field, with both our Development Squad and Under 17's winning their respective Leagues. As a result of our 17s winning their domestic League, this ensures our 19s will again play in the European Youth League next season. The 17s also beat Rangers 4-0 at Ibrox to win the Glasgow Cup for the third consecutive season.

Our partnership with St. Ninian's High School in Kirkintilloch continues to flourish and we would like to thank Head Teacher, Paul McLaughlin, and his staff for all their support and hard work on making this partnership a success.

Finally, the funds raised from Celtic Pools lotteries ensure that the Celtic Academy goes from strength to strength with a view to identifying and developing the next Kieran Tierney. The Celtic Development Pools Limited continues to be the top football club lottery organisation in Britain and one of the most successful in the society/charity lotteries sector.

### **CELTIC SOCCER ACADEMY**

The Celtic Soccer Academy has continued to grow both domestically and internationally, taking the Club's coaching expertise to all corners of the globe and helping expand the Celtic FC brand internationally.

Locally, the club has expanded the number of weekly and holiday period coaching sessions available to the public as well as a Matchday Experience where players can be coached prior to attending a home game.

Internationally, the growth has been unprecedented. The club boasts 63 international partners in 21 different countries. All of these partnerships aim to assist our partners in maximising their football potential through player and coach education and develop new Celtic FC fans of the future.

The season 2015/16 culminated in the first ever residential Elite Player programme at the prestigious IMG Academy in Florida with 170 of the US partner clubs' most talented youth footballers spending a weekend with the Celtic coaching staff.

The year ahead will see the club take further strides internationally, forging new partnerships and introducing more clubs to the Celtic family. In addition to the continued expansion, the Celtic Soccer Academy will be focussed on adding even more value into existing relationships making Celtic FC the number one club globally to partner with.

### **MATCH TICKET SALES**

Season 2015/16 saw standard season ticket sales of 39,000.

The Club continued to reward Season Ticket holders last season with a £50 reward to adult Season Ticket holders for their continued support. The Club will continue to offer the popular concession season ticket prices of £50 for kids (Under 13), £105 for 13-16 year olds and £186 for 17-18 year olds for Season 2016/17. The Club has also maintained the student price of £199.

Following Brendan Rodgers's appointment, season ticket sales for 2016/17 are very encouraging, having climbed past the 46,000 mark. This represents a significant uplift from prior year, is a strong endorsement by the fans of the Board's decision to appoint Brendan Rogers and has exceeded expectations.

### **STADIUM OPERATIONS**

Spectator safety is of paramount importance and the Club continues to invest in this crucial area while striving to enhance the match day experience for our supporters.

After many years of hard work, we were delighted that Celtic Park was to become the first football stadium in the United Kingdom to accommodate a 'safer standing' section. Installation of the rail seating, which accommodates 3,000 spectators, has now been completed and was successfully in use for the first time in a friendly fixture for Celtic's match against Wolfsburg on 16<sup>th</sup> July. The initiative is a significant investment intended to enhance spectator safety while improving the fan experience.

# Celtic plc

## STRATEGIC REPORT

The Club unveiled a new statue in tribute to Celtic Legend, Billy McNeill, at the home fixture on 19 December 2015. Billy's statue is situated at the beginning of the Celtic Way and welcomes all visitors to the stadium.

The changing face of Celtic Park continued in the last year with the breath-taking new facade to the East and West of the stadium now displaying 58 of the most iconic names in the Club's history under the heading 'Paradise'. The design also picked up a Silver Award for design at the 2016 Marketing Society Awards.

### (ii) MERCHANDISING

The Club embarked on a successful first year of its relationship with New Balance during season 2015/16, with Celtic's famous Hoops being available to fans via New Balance's extensive global network of retail outlets.

This year saw the closure of the Stirling store as its lease came to an end and, in line with the strategy to focus on a growth in online sales through our Home Shopping platform, the lease was not renewed.

Celtic also launched the ebay store and further investment was made in key E Commerce personnel to focus growth in this important area of the business.

### (iii) MULTIMEDIA & OTHER COMMERCIAL ACTIVITIES

#### PARTNER PROGRAMME

The Club announced a further strengthening of its existing partnership with Dafabet, who have now been named 'Main Club Sponsor'. The new agreement represents the biggest shirt sponsorship deal in the Club's history and the partnership further enhances the Club's international growth aspirations with the launch of our Chinese language website.

The successful relationship with Magners continued during season 2015/16 with the announcement of a three year extension of our partnership which will see Magners maintain a presence on the back of the first team shirt and become the 'Official Training Kit Sponsor'.

#### CELTIC TV

Further improvement has been made in the last 12 months to the Celtic TV platform, both in terms of presentation and infrastructure to ensure an increasingly reliable value for money service for subscribers.

Audience growth has also been achieved across an increasing number of social media channels with the addition of the Instagram and Snapchat platforms putting Celtic at the forefront of fan engagement and consolidating the club's position as a top 10 UK club for Social Media engagement.

#### SUPPORTER RELATIONS

Over the course of the past 12 months, our Supporter Liaison Officer ("SLO") has continued to meet and work with fans from across the support and has played a key role in the development of the Supporter Liaison Initiative. The SLO recently travelled to Stockholm to represent Scotland as part of a project run in conjunction with Supporters Direct Europe and UEFA in order to share best practice and promote the SLO role across Europe.

The SLO has also spent time working with Supporters Direct Scotland and Scottish Government to highlight the benefits of fan engagement and the importance of the SLO role, as well as working with the Celtic Trust to develop a framework for fan interaction with the Club aimed at ensuring we continue to provide supporters with clear and accurate assessments of events at Celtic Park.

The SLO is available at Celtic Park for all fans on a daily basis and welcomes the opportunity to meet and discuss all Celtic related issues.

#### OUR PEOPLE

Celtic remains the only professional football club in Scotland to hold the prestigious Investors in People award, and our Celtic Pride employee engagement and culture change initiative continues to be a priority. This initiative continues to drive improvements in the areas of employee recognition, reward and development, all underpinning the four key values of Inclusion, Integrity, Inspiration and Innovation.

# Celtic plc

## STRATEGIC REPORT

Earlier this year the Club made a commitment to again review the minimum hourly rate of permanent staff. This commitment was delivered and a minimum rate of at least £8.25/hour was implemented with effect from 1 July 2016, reflecting the prevailing voluntary Living Wage rate.

Finally, safeguarding continues to be high on the Club's agenda and as the first club in Scotland to appoint a dedicated Safeguarding Manager, back in March 2013, we continue to lead the way in the implementation and improvement of safeguarding processes, training and communications. These continue to provide a safe environment for all children and vulnerable adults working for and engaging with the Club – employees and fans alike. The Club also 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.

In addition to the uncertainties inherent in football, there are many risks associated with running any company. 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 Group's operations are managed so as to reduce the likelihood of these events occurring and to mitigate their potential impact if they did occur, it is not possible to eliminate these risks entirely.

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

(i) *Player transfer market and wages*

Due to the application of football regulations the opportunity to acquire or dispose of player registrations occurs, subject to limited exceptions, only during two 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. 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.

# Celtic plc

## STRATEGIC REPORT

### *(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.

### *(v) Financial Risk*

At 30 June 2016, the Group has access to a debt facility of £18.7m 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 and liquidity risk.

### *(vi) Brexit*

The outcome of the "Brexit" vote on 23<sup>rd</sup> June 2016 to leave the European Union has resulted in increased uncertainty in the financial markets and we have seen significant movements in foreign exchange rates since that date. We are actively monitoring this situation, and while acknowledging that there remains significant uncertainty in this area, the directors are taking appropriate steps to minimise any short term financial risks to the Group by utilising foreign exchange forward contracts.

The impact of Brexit may have a number of consequences for the Group including, but not limited to; uncertainty in relation to the status of EU and non-EU employees (including football players), the future costs of transferring EU and non-EU based player registrations and the value of certain commercial revenues and sponsorship incomes, which will require to be closely monitored on an ongoing basis. It is understood that, given the uncertainty as to how the "Brexit" vote may be implemented, it is too early to make any further analysis.

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.

# Celtic plc

## STRATEGIC REPORT

### THE FINANCIAL REVIEW

Celtic's financial results for the year to 30 June 2016 reflect the difficult domestic environment in which we operate and re-confirms the importance of revenues from the sale of player registrations to the core business performance. Adjusting for this gain recognised in the year emphasises the significance and impact of not participating in the group stage of the UEFA Champions League ("UCL").

	2016	2015
	£m	£m
<b>Revenue</b>	<b>52.0</b>	<b>51.1</b>
Operating Expenses	(57.1)	(53.3)
Exceptional Operating Expenses	(1.7)	(0.7)
Net Player Trading	7.7	(0.5)
Loss on Disposal of Property, Plant & Equipment	(0.1)	(0.1)
Net Financing charges	(0.3)	(0.4)
<b>Profit / (loss) before tax</b>	<b>0.5</b>	<b>(3.9)</b>

The Group's reported profit of £0.5m, including the revenues generated from gains on the sale of player registrations, demonstrates the financially demanding football sector in which we operate and reiterates the need for maintaining tight cost control and player development leading to both future revenues from the sale of player registrations, and an ability to originate first team players from our Academy System.

Group revenue increased by £0.9m, 1.8%, to £52.0m with 28 home matches being played this season which is comparable to 29 games last year. The increase, in comparison to 2015, is largely the result of improved financial distributions from UEFA Europa League ("UEL") participation (as this entered a new three year cycle) and higher ticket revenues and increased sponsorship income from commercial partners. These were offset by the reduction associated with hosting the Commonwealth Games Opening Ceremony and the two Scotland home International matches in the year to 30 June 2015.

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 player registrations, interest and tax amounted to £0.5m in comparison to a loss of £3.9m in 2015.

### REVENUE

A summary of revenue per business segment is set out in Note 3 to the Financial Statements.

	2016	2015
	£m	£m
Football & Stadium Operation	25.1	28.0
Merchandise	12.6	11.7
Multimedia & Other	14.3	11.4
Commerical Activities	(0.0)	(0.0)
<b>Group Revenue</b>	<b>52.0</b>	<b>51.1</b>

Revenue from football and stadium operations decreased by £2.9m (10.4%) to £25.1m as a result of the reduction in additional football income generated in the year to 30 June 2015 by qualifying for the Europa League Round of 32; hosting the two Scotland International matches; and the absence of hosting the Commonwealth Games Opening Ceremony. This was offset by higher match ticket revenues (standard and premium match tickets) for both domestic and European competition.

Merchandising reported an increase in turnover of £0.9m, 7.7%, to £12.6m. The increased revenues are largely the result of improved sponsorship income resulting from the change in kit supplier. During the year, we launched 3 new kits, including the new 2016 home kit, which compared with two kit launches in the prior year and we saw an increase in revenues generated from our online platform, however in general, the retail market continues to be very challenging.

# Celtic plc

## STRATEGIC REPORT

Multimedia and other commercial activities revenue saw an increase of £2.9m, 25.4% to £14.3m which was largely attributable to increased television rights income from the improved distribution for participating in the UEL in addition to increased commercial sponsorship income.

### OPERATING EXPENSES

	2016	2015
	£m	£m
Labour	(36.9)	(33.3)
Other Operating Expenses	(20.2)	(20.0)
<b>Operating Expenses</b>	<b>(57.1)</b>	<b>(53.3)</b>

Total operating expenses (excluding exceptional operating expenses and asset transactions) have increased over the last year by £3.8m, 7.1%, to £57.1m, predominately due to an increase in football labour and other operating expenses.

Total labour costs increased by £3.6m, 10.8%, to £36.9m, largely due to increased labour costs in football over the previous year.

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 £1.7m (2015: £0.7m) represent an impairment charge to intangible assets of £1.3m (2015: £0.4m) together with labour and other related costs of £0.7m (2015: £1.0m) offset by the reversal of a prior period impairment charge of £0.3m (2015: £0.6m).

### NET PLAYER TRADING

	2016	2015
	£m	£m
Amortisation of player registrations	(4.9)	(7.3)
Gain on sale of player registrations	12.6	6.8
<b>Operating Expenses</b>	<b>7.7</b>	<b>(0.5)</b>

Total amortisation costs at £4.9m represent a decrease of £2.4m (32.9%) in comparison to the previous year. This is due to the additional amortisation costs incurred in the prior year as a result of the loan agreements for Wakasso, Toney, Berget, Guidetti and Denayer.

The gain on sale of £12.6m (2015: £6.8m) reflects gains achieved in the sale of Virgil Van Dijk and Adam Matthews during the year.

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

The loss on disposal of property, plant and equipment in the year of £0.1m (2015: £0.1m) relates to the disposal of various items of plant and equipment which are no longer in use.

### FINANCE INCOME & COSTS

Total net finance costs for the year of £0.3m (2015: £0.4m) primarily reflects interest due on the Company's borrowing facilities with the Co-operative Bank together with the reclassification of Preference Share dividends as interest in accordance with the requirements of IFRS. It also includes a notional interest charge as required under IFRS accounting, to reflect the notional finance income relating to long term player trading receivables. The reduction in net cost from 2015 is the result of increased notional finance income in 2016.

# Celtic plc

## STRATEGIC REPORT

### TAXATION PROVISION

No provision for corporation tax is required in respect of the year ended 30 June 2016. The provisional tax computation provides tax losses carried forward of approximately £16.1m (2015: £16.4m) and an available capital allowance pool of approximately £10.3m (2015: £11.3m).

The value of the deferred taxation not reflected in the financial statements of the Group was £2.9m (2015: £3.3m).

### PROPERTY, PLANT AND EQUIPMENT

The additions to property, plant and equipment in the period of £1.6m (2015: £1.5m) are represented mainly by the significant work on stadium improvements including the highly acclaimed Rail Seating standing section as well as the completion of the statue in honour of Lisbon Lion captain, Billy McNeil, at the entrance to the Celtic Way.

### INTANGIBLE ASSETS

The increase in the net book value of intangibles during the year to 30 June 2016 of £1.4m to £9.8m reflects the investment in football personnel of £8.8m less the amortisation charge of £4.9m, the impairment charge of £1.3m, the reversal of a prior period impairment charge of £0.3m and the net book value of disposals of £1.4m. The investment in football personnel is largely represented by the costs associated with the permanent acquisitions of Simunovic, Bailley, Ajer, Ciftci, Janko, Sviatchenko, Cole and Kazim-Richards.

There were several departures in the 2015 summer transfer window including Van Dijk and Matthews.

### INVENTORIES

The level of stockholding at 30 June 2016 of £1.9m compares to £2.1m reported last year. The decrease in stock holding is due to the timing of the New Balance kit deliveries.

### RECEIVABLES

The increase in receivables from £14.7m in 2015 to £18.6m in the current year is primarily attributable to the instalments remaining due from the sale of Van Dijk less the receipt of amounts due in the current year for Wanyama and Forster. As at June 2016, there was £12.8m outstanding in respect of player transfer fees in comparison to £10.7m in the prior year.

### NON CURRENT LIABILITIES

The decrease in non-current liabilities from 30 June 2015 of £1.3m to £13.3m is the result of a release of amounts related to onerous lease commitments and a decrease in deferred income due greater than 1 year.

### CURRENT LIABILITIES

The increase in current liabilities of £4.4m in the year to £32.3m largely reflects the additional amounts received in relation to deferred income offset by a reduction in amounts due to suppliers resulting from the timing of invoice payments and project activities.

Income deferred less than one year at £19.9m compares to the £12.7m reported last year and reflects the cash received prior to 30 June 2016 in respect of the financial year ended 30 June 2016.

### NET ASSETS AND FUNDING

Celtic has been consistent with prior years' reports under IFRS, which requires elements of the Preference Shares to be classified as debt and non-equity dividends to be classified as interest.

Net cash is £3.6m (2015: £4.7m) and includes all bank borrowings offset by cash at bank and in hand. The movement from 30 June 2015 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.

# Celtic plc

## STRATEGIC REPORT

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 July 2017.

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 2016 are described in notes 24 and 29.

The lending agreement with the Co-operative Bank has a combined borrowing facility of £18.7m, which consists of a £5.0m revolving credit facility and £13.7m in long term loans.

The revolving credit facility bears interest at base rate plus 1.00% and will be repaid or reviewed in May 2017.

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 £0.1m from the commencement date until full repayment of £12.4m in July 2019. The Group has the option to repay the loans earlier than these dates without penalty.

The borrowing facility is 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 2015/16 overall was a successful year for Celtic despite missing out on the Champions' League group stages. We retained the Scottish Premiership title and competed in the UEL group stages. Despite the football success achieved, our domestic trading environment remains challenging and the reported profit for the year to 30 June 2016 of £0.5m includes a significant gain on sale of player registrations. Despite these difficult trading conditions, cash flow management has delivered a year-end net cash at bank of £3.6m, although decreased from the £4.7m reported last year, this provides a platform for further progress and investment.

We continue to operate in a challenging football environment in Scotland however, season ticket revenues and match ticket sales to date have been encouraging, although as ever future football results will influence the extent to which this can be sustained. Merchandise sales year to date, are ahead of the prior year with a greater emphasis on home shopping which is now managed internally. Additional revenue streams continue to be sought particularly in respect of new media, commercial markets and international opportunities where we look to maximise revenues and develop the Celtic brand. The above, together with on-going management of costs should enable us to maintain a sustainable business model.

Player trading continues to be a key part of our business model as demonstrated by the significant funds being generated from the transfers of van Dijk and Matthews, which provided the platform for improved financial performance in the year to 30 June 2016.

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.

During the summer 2016 transfer window a number of new players were acquired and Stefan Johansen was sold for a sum well in excess of book value. We also qualified for the UCL group stage competition and have been drawn in a fantastic group with matches against Barcelona, Manchester City and Borussia Mönchengladbach.

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

# Celtic plc

## STRATEGIC REPORT

good financial management will continue and we will operate from a position of 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.

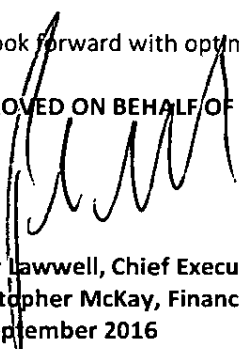
The key Group objective clearly remains football success particularly in Europe as this will greatly assist revenue generation. However the funding of that success must recognise the financial constraints applicable to the organisation particularly as Celtic continues to play in the Scottish football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

We look forward with optimism to the season ahead.

**APPROVED ON BEHALF OF THE BOARD**



**Peter Lawwell, Chief Executive**  
**Christopher McKay, Financial Director**  
**19 September 2016**

# Celtic plc

## DIRECTORS' REPORT

The Directors present their report for the year ended 30 June 2016.

### DIVIDENDS

Dividends were paid in cash on 31 August 2016 to those Preference Shareholders not participating in the scrip dividend reinvestment scheme. The record date for the purpose of the Preference Share dividend was 29 July 2016.

Mandates representing 1,308,243 Preference Shares are in place for the scrip dividend reinvestment scheme. Approximately £47,597 (2015: £37,693) of dividends for the financial year to 30 June 2016 will be reinvested. 64,734 new Ordinary Shares were issued under the scheme at the beginning of September 2016.

The scrip scheme was extended at the AGM in November 2014 until 21 November 2019.

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

The profit of £0.5m has been taken to reserves.

### BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Strategic Report sets out the Business Review (page 6) and Future Developments (page 15). 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 2016, Celtic has acquired the permanent registrations of Christian Gamboa, Moussa Dembele, Dorus de Vries, Kolo Toure, and Scott Sinclair. The registrations of Darnell Fisher, Stefan Johansen and Stefan Šćepović were disposed of on a permanent basis, with those of Scott Allan and Saidy Janko placed on loan.

### 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 2016 and their interests, including those of connected persons, in the share capital of the Company were as follows:

Name	30 June 2016			1 July 2015		
	No. of Convertible Preferred Ordinary Shares of £1 each	No. of Ordinary Shares of 1p each	No. of Convertible Cumulative Preference Shares of 60p each	No. of Convertible Preferred Ordinary Shares of £1 each	No. of Ordinary Shares of 1p each	No. of Convertible Cumulative Preference Shares of 60p each
T Allison	84,875	3,357,505	-	84,875	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
P Lawwell	-	356,000	-	-	356,000	-
I Livingston	1,600	505	500	1,600	505	500
C McKay	-	-	-	-	-	-
E Riley	8,000	78,520	5,000	8,000	78,305	5,000
B Wilson	-	3,000	500	-	3,000	500

No changes in Directors' shareholdings between 30 June 2016 and 14 September 2016 have been reported to the Company.

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 2016 are as follows:

**Thomas E. Allison** (68) 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 Group. He is Chairman of Tulloch Homes Group Limited and an ambassador for The Prince and Princess of Wales Hospice in Glasgow.

**Ian P. Bankier** (64) 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 in 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** (66) 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. 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.

**Peter T. Lawwell** (57), 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, the Board of the European Club Association and the Club Competition Committee of UEFA.

**Lord Livingston of Parkhead** (52) was appointed to the Board as an independent non-executive director in October 2007 and chairs the Audit Committee. Lord Livingston was Minister of State for Trade and Investment until May 2015. 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. He is a Chartered Accountant and Chairman of Man Group plc, Deputy Chairman of Dixons Carphone plc, a member of the House of Lords, Director of Belmond Limited and Trustee of Jewish Care.

# Celtic plc

## DIRECTORS' REPORT

**Christopher McKay (41)** was appointed Financial Director and joined the Board with effect from 1 January 2016. Mr McKay spent 18 years in professional services, most recently in a senior position with global consultancy firm Deloitte, which he left to join the Company. He qualified as a Chartered Accountant with Deloitte in 2000 and spent the last 15 years within the Financial Advisory area. He has extensive advisory experience in many industries across the UK and International Markets.

**Eric J. Riley (59)** joined the Company as Financial Director in August 1994. After over 20 years of distinguished service to the Company, Mr Riley retired as Financial Director on 31 December 2015 and from the Board on 30 June 2016. 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. Eric remains a non executive director of The Celtic Football and Athletic Club Limited.

**Brian Wilson (67)** 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**

Eric Riley retired as a director with effect from 30 June 2016. He will not be standing for re-election.

Chris McKay joined the Board as Financial Director on 1 January 2016 and will retire immediately prior to the Annual General Meeting and stand for election at that meeting.

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

Tom Allison, Dermot Desmond, Ian Livingston 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, Ian Livingston 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, Brian Wilson and Ian Livingston is set out at page 22 of this Report.

The Directors recommend that Chris McKay be elected, and Tom Allison, Dermot Desmond, Peter Lawwell, Ian Livingston and Brian Wilson 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 14 September 2016:

Registered Holder	Ordinary Shares of 1p each	Percentage of Issued Ordinary Share capital
The Bank of New York (Nominees) Limited	17,065,814	18.27%
Christopher D Trainer	9,796,784	10.49%
James Mark Keane	5,909,847	6.33%

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 14 September 2016:

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	12.30%
Hanom 1 Limited	625,000	4.81%
The Bank of New York (Nominees) Limited	500,900	3.85%

### DONATIONS

The Group made direct charitable donations of £41,134 (2015: £23,103), which in both years was represented by the costs of hosting the Celtic FC Foundation (previously Celtic Charity Fund) annual dinner with an additional donation made in 2016 to "90 Minutes for Hope" from ticket incomes received from the UEL match versus Fenerbahce.

In recognition of Eric Riley's contribution to both the club and the Celtic FC Foundation, the Company intends to donate £12,500 to the Celtic FC Foundation after the agreement of Eric Riley. 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 relevant business units to consult on business development, safety and operational matters.

The Group operates a detailed annual appraisal system for all regular employees. This provides the opportunity for feedback and comment. An annual bonus scheme for eligible employees 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. In July 2016, the Club's Youth Academy gained Investors in Young People 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 natural resources 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 auditor is 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 auditor is aware of that information.

### **AUDITOR**

At the Annual General Meeting on 20 November 2015, BDO LLP was 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  
19 September 2016

# 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 2014 (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 2016, the Board of Directors consisted of a non-executive Chairman, four 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, Ian Livingston, Peter Lawwell and Brian Wilson, with Christopher McKay standing at the first opportunity.

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 independent 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.

# Celtic plc

## CORPORATE GOVERNANCE

Brian Wilson has 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.

Ian Livingston will complete nine years' service as a Director in October 2016. Again, having considered his independence and his contribution to the Board and Company throughout the year, the Board is also satisfied that Lord Livingston remains independent, notwithstanding his length of service.

Eric Riley served as a non-executive director from 1 January 2016 and retired from office on 30 June 2016. Eric will not be standing for re-election.

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

The independent 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**

Six 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 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.

# Celtic plc

## CORPORATE GOVERNANCE

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 and Brian Wilson served on the Committee during the year. Ian 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 auditor being present, when appropriate.

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 auditor.

The auditor is required to disclose any potential conflicts, contracts with the Company and non-audit work conducted. 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 financial statements.

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 Wilson and Ian Bankier both 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 implementation of other executive and employee incentive and bonus schemes. The Remuneration Report is set out in detail on pages 26 to 28.

### ***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.

# Celtic plc

## CORPORATE GOVERNANCE

### REPORTING AND INTERNAL CONTROLS

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

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Risk management, compliance and internal audit 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 Board meeting.

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

#### Internal Financial Control

The Board has ultimate responsibility for ensuring that a fair, balanced and understandable assessment of the Group's financial position and prospects is presented so that shareholders can assess the Group's performance, business model and strategy. 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 Corporate Governance Code.

#### BY ORDER OF THE BOARD



Michael Nicholson, Secretary  
19 September 2016

# 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 24.

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 long term success of the Group 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 some permanent 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 28.

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.

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

The Group operates a bonus scheme for executive Directors and some permanent employees.

# Celtic plc

## REMUNERATION REPORT

The scheme has 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. Stakeholder arrangements are available to qualifying employees. The Company does not operate any defined benefit (final salary) schemes.

### **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 2016, 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. Mr Riley resigned as Financial Director, with effect from 31 December 2015, but continued to serve as a non-executive director from 1 January to 30 June 2016. 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.

Mr McKay's service contract commenced on 1 January 2016, when he joined the Board as Financial Director. It continues subject to six months' notice by him to the Company or by the Company to him. Mr McKay is entitled to a maximum payment under the Company's bonus scheme of 50% of basic salary, if all performance conditions are satisfied.

# 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 2016:

Ian Bankier	Second term	11 months remaining
Ian Livingston	Third term	3 months remaining

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

### **Remuneration of Directors**

Directors' remuneration and benefits for the year to 30 June 2016 are set out in the table below.

	Salary/ Fees £	Ill Health Payment £	Bonus £	Benefits in Kind £	Pension Costs £	2016 Total £	2015 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
P Lawwell	575,429	-	406,751	17,380	-	999,560	999,264
I Livingston	30,000	-	-	-	-	30,000	4,193
C McKay	67,500	-	25,313	5,400	10,125	108,338	-
E Riley	82,213	237,500	34,164	5,983	11,774	371,634	227,709
B Wilson	25,000	-	-	-	-	25,000	25,000
	<u>880,142</u>	<u>237,500</u>	<u>466,228</u>	<u>28,763</u>	<u>21,899</u>	<u>1,634,532</u>	<u>1,356,166</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. In the year to 30 June 2016, Eric Riley received a payment of £237,500 in respect of ill health.

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. Eric Riley waived all rights to remuneration in respect of the 6 months to 30 June 2016 where he acted 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**

**19 September 2016**

# 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 (IFRSs) 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 IFRSs 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

	2016	2015	2014	2013	2012
FINANCIAL	£000	£000	£000	£000	£000
Revenue	52,009	51,080	64,736	75,816	51,341
(Loss) / profit from trading before asset transactions and exceptional items	(5,134)	(2,188)	4,851	13,102	(3,095)
Profit / (loss) after taxation	459	(3,947)	11,170	9,739	(7,371)
Non equity dividends incurred	502	432	526	527	544
Total equity	50,470	49,951	53,831	42,557	32,678
Shares in issue (excl deferred) no. '000	122,350	122,147	121,603	121,273	121,030
Earnings / (loss) per ordinary share	0.49p	(4.25)p	12.68p	10.73p	(8.17)p
Diluted earnings / (loss) per share	0.49p	(4.25)p	8.91p	7.56p	(8.17)p
Number of employees	465	462	475	455	451
<b>FOOTBALL</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
League position	1	1	1	1	1
League points	86	92	99	79	93
Scottish cup	SEMI FINAL	SEMI FINAL	ROUND 5 <sup>th</sup>	WINNERS	SEMI FINAL
League cup	SEMI FINAL	WINNERS	ROUND 3 <sup>rd</sup>	SEMI FINAL	FINALISTS
European ties played	6	7	6	6	4
<b>CELTIC PARK</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Celtic Park investment to date (£'000)	70,315	69,318	68,147	63,476	62,692
Stadium seating capacity (no.)	60,447	60,447	60,411	60,355	60,355
Average home league attendance (no.)	42,201	45,400	45,757	46,754	49,019
Total season ticket sales (no.)	39,309	40,472	43,072	41,716	44,975

# 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 2016 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 auditor

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 2016 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.



Alastair Rae (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Glasgow  
United Kingdom

19 September 2016

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 2016

	Note	2016			2015		
		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	52,009	-	52,009	51,080	-	51,080
Operating expenses (excluding exceptional operating expenses)	4, 5	(57,143)	-	(57,143)	(53,268)	-	(53,268)
<b>Loss from trading before asset transactions and exceptional items</b>		<b>(5,134)</b>	<b>-</b>	<b>(5,134)</b>	<b>(2,188)</b>	<b>-</b>	<b>(2,188)</b>
Exceptional operating (expenses) / credit	7, 16	(715)	(1,006)	(1,721)	(1,001)	261	(740)
Amortisation of intangible assets	16	-	(4,953)	(4,953)	-	(7,313)	(7,313)
Profit on disposal of intangible assets		-	12,644	12,644	-	6,773	6,773
Loss on disposal of property, plant and equipment		(106)	-	(106)	(102)	-	(102)
<b>Operating (loss) / profit</b>	<b>5</b>	<b>(5,955)</b>	<b>6,685</b>	<b>730</b>	<b>(3,291)</b>	<b>(279)</b>	<b>(3,570)</b>
Finance income	11			350			185
Finance expense	11			(621)			(562)
<b>Profit / (loss) before tax</b>				<b>459</b>			<b>(3,947)</b>
Income tax expense	12			-			-
<b>Profit / (loss) and total comprehensive income / (loss) for the year</b>				<b>459</b>			<b>(3,947)</b>
<b>Profit / (loss) attributable to equity holders of the parent</b>				<b>459</b>			<b>(3,947)</b>
<b>Total comprehensive income / (loss) attributable to equity holders of the parent</b>				<b>459</b>			<b>(3,947)</b>
Basic earnings per Ordinary Share from continuing operations and for the year	14			0.49p			(4.25p)
Diluted earnings per share from continuing operations and for the year	14			0.49p			(4.25p)

# Celtic plc

Registered number: SC3847  
**CONSOLIDATED BALANCE SHEET**  
AS AT 30 JUNE 2016

	Notes	2016 £000	2015 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	55,276	55,452
Intangible assets	16	9,798	8,356
Trade Receivables	20	3,966	2,291
		<u>69,040</u>	<u>66,099</u>
<b>Current assets</b>			
Inventories	18	1,889	2,098
Trade and other receivables	20	14,682	12,449
Cash and cash equivalents	21,29	10,450	11,770
		<u>27,021</u>	<u>26,317</u>
<b>Total assets</b>		<u>96,061</u>	<u>92,416</u>
<b>Equity</b>			
Issued share capital	22	24,316	24,294
Share premium	23	14,611	14,573
Other reserve	23	21,222	21,222
Capital reserve	23	2,781	2,781
Accumulated losses		(12,460)	(12,919)
<b>Total equity</b>		<u>50,470</u>	<u>49,951</u>
<b>Non-current liabilities</b>			
Interest bearing liabilities/bank loans	24	6,650	6,850
Debt element of Convertible Cumulative Preference Shares	22	4,242	4,262
Provisions	26	1,105	907
Deferred income	27	1,343	2,600
		<u>13,340</u>	<u>14,619</u>
<b>Current liabilities</b>			
Trade and other payables	25	11,879	14,579
Current borrowings	25	304	308
Provisions	25,26	196	251
Deferred income	27	19,872	12,708
		<u>32,251</u>	<u>27,846</u>
<b>Total liabilities</b>		<u>45,591</u>	<u>42,465</u>
<b>Total equity and liabilities</b>		<u>96,061</u>	<u>92,416</u>

The financial statements were approved and authorised for issue by the Board on 19<sup>th</sup> September and were signed on its behalf by



Peter T Lawwell

Director



Christopher McKay

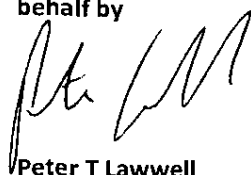
Director

# Celtic plc

Registered number: SC3847  
**COMPANY BALANCE SHEET**  
AS AT 30 JUNE 2016

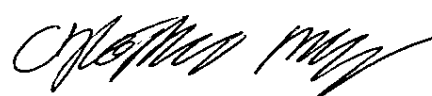
	Notes	2016 £000	2015 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	55,276	55,452
Intangible assets	16	9,798	8,356
Investment in subsidiaries	17	-	-
Trade receivables	20	3,966	2,291
		<u>69,040</u>	<u>66,099</u>
<b>Current assets</b>			
Trade and other receivables	20	9,574	10,214
Cash and cash equivalents	21,29	9,684	11,395
		<u>19,258</u>	<u>21,609</u>
<b>Total assets</b>		<u>88,298</u>	<u>87,708</u>
<b>Equity</b>			
Issued share capital	22	24,316	24,294
Share premium	23	14,611	14,573
Other reserve	23	21,222	21,222
Capital reserve	23	2,781	2,781
Accumulated profits		2,371	2,282
<b>Total equity</b>		<u>65,301</u>	<u>65,152</u>
<b>Non-current liabilities</b>			
Interest bearing liabilities/bank loans	24	6,650	6,850
Debt element of Convertible Cumulative Preference Shares	22	4,242	4,262
		<u>10,892</u>	<u>11,112</u>
<b>Current liabilities</b>			
Trade and other payables	25	11,077	11,136
Current borrowings	25	304	308
Deferred Income	27	724	-
		<u>12,105</u>	<u>11,444</u>
<b>Total liabilities</b>		<u>22,997</u>	<u>22,556</u>
<b>Total equity and liabilities</b>		<u>88,298</u>	<u>87,708</u>

The financial statements were approved and authorised for issue by the Board on 19<sup>th</sup> September and were signed on its behalf by



Peter T Lawwell

Director



Christopher McKay

Director

# Celtic plc

## STATEMENTS OF CHANGES IN EQUITY

### YEAR ENDED 30 JUNE 2016

Group	Share capital £000	Share premium £000	Other reserve £000	Capital reserve £000	Retained earnings £000	Total £000
<b>Equity shareholders' funds as at 1 July 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>
Share capital issued	1	44	-	-	-	45
Transfer to capital reserve	(86)	-	-	86	-	-
Reduction in debt element of convertible cumulative preference shares	22	-	-	-	-	22
Loss and total comprehensive loss for the year	-	-	-	-	(3,947)	(3,947)
<b>Equity shareholders' funds as at 30 June 2015</b>	<b>24,294</b>	<b>14,573</b>	<b>21,222</b>	<b>2,781</b>	<b>(12,919)</b>	<b>49,951</b>
Share capital issued	1	38	-	-	-	39
Transfer to capital reserve	-	-	-	-	-	-
Reduction in debt element of convertible cumulative preference shares	21	-	-	-	-	21
Profit and total comprehensive income for the year	-	-	-	-	459	459
<b>Equity shareholders' funds as at 30 June 2016</b>	<b>24,316</b>	<b>14,611</b>	<b>21,222</b>	<b>2,781</b>	<b>(12,460)</b>	<b>50,470</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 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>
Share capital issued	1	44	-	-	-	45
Transfer to capital reserve	(86)	-	-	86	-	-
Reduction in debt element of convertible cumulative preference shares	22	-	-	-	-	22
Profit and total comprehensive income for the year	-	-	-	-	464	464
<b>Equity shareholders' funds as at 30 June 2015</b>	<b>24,294</b>	<b>14,573</b>	<b>21,222</b>	<b>2,781</b>	<b>2,282</b>	<b>65,152</b>
Share capital issued	1	38	-	-	-	39
Transfer to capital reserve	-	-	-	-	-	-
Reduction in debt element of convertible cumulative preference shares	21	-	-	-	-	21
Profit and total comprehensive income for the year	-	-	-	-	89	89
<b>Equity shareholders' funds as at 30 June 2016</b>	<b>24,316</b>	<b>14,611</b>	<b>21,222</b>	<b>2,781</b>	<b>2,371</b>	<b>65,301</b>

# Celtic plc

## CONSOLIDATED CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2016

	Note	2016 £000	2015 £000
<b>Cash flows from operating activities</b>			
Profit / (loss) for the year		459	(3,947)
Depreciation	15	1,689	1,577
Amortisation of intangible assets	16	4,953	7,313
Impairment of intangible assets	16	1,294	378
Reversal of prior period impairment charge	16	(288)	(639)
Profit on disposal of intangible assets		(12,644)	(6,773)
Loss on disposal of property, plant and equipment		106	102
Net finance costs	11	271	377
		<u>(4,160)</u>	<u>(1,612)</u>
Decrease / (increase) in inventories		209	(402)
Decrease in receivables		212	540
Increase in payables and deferred income		4,695	1,553
<b>Cash generated from operations</b>		<u>956</u>	<u>79</u>
Net interest paid		<u>(91)</u>	<u>(75)</u>
<i>Net cash flow from operating activities - A</i>		<u>865</u>	<u>4</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,455)	(2,656)
Purchase of intangible assets		(10,933)	(11,239)
Proceeds from sale of intangible assets		13,261	12,861
<i>Net cash used in investing activities - B</i>		<u>873</u>	<u>(1,034)</u>
<b>Cash flows from financing activities</b>			
Repayment of debt		(200)	(3,169)
Dividends paid		(458)	(481)
<i>Net cash used in financing activities - C</i>		<u>(658)</u>	<u>(3,650)</u>
Net increase / (decrease) in cash equivalents A+B+C		1,080	(4,680)
Cash and cash equivalents at 1 July 2015		9,370	14,050
Cash and cash equivalents at 30 June 2016	21	<u>10,450</u>	<u>9,370</u>

**Celtic plc**  
**COMPANY CASH FLOW STATEMENT**  
**YEAR ENDED 30 JUNE 2016**

	Note	2016 £000	2015 £000
<b>Cash flows from operating activities</b>			
Profit for the year	23	89	464
Depreciation	15	1,689	1,577
Amortisation of intangible assets	16	4,953	7,313
Impairment of intangible assets	16	1,294	378
Reversal of prior period impairment charge	16	(288)	(639)
Profit on disposal of intangible assets		(12,644)	(6,773)
Loss on disposal of property, plant and equipment		106	102
Finance costs	11	271	377
		<u>(4,530)</u>	<u>2,799</u>
Increase in receivables		(673)	(1,223)
Increase / (decrease) in payables		5,768	(2,361)
<b>Cash generated from operations</b>		<u>565</u>	<u>(785)</u>
Interest paid		(91)	(75)
<i>Net cash flow from operating activities – A</i>		<u>474</u>	<u>(860)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,455)	(2,656)
Purchase of intangible assets		(10,933)	(11,239)
Proceeds from sale of intangible assets		13,261	12,861
<i>Net cash used in investing activities – B</i>		<u>873</u>	<u>(1,034)</u>
<b>Cash flows from financing activities</b>			
Repayment of debt		(200)	(3,169)
Dividends paid		(458)	(481)
<i>Net cash used in financing activities – C</i>		<u>(658)</u>	<u>(3,650)</u>
Net increase / (decrease) in cash equivalents A+B+C		689	(5,544)
Cash and cash equivalents at 1 July 2015		8,995	14,539
Cash and cash equivalents at 30 June 2016	21	<u>9,684</u>	<u>8,995</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 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 not yet effective

At the date of authorisation of these financial statements, the following Standards which have not been applied in these financial statements were in issue but not yet effective:

##### IFRS 15 Revenue from contracts with customers

The standard listed above is effective for financial periods commencing on or after 1 January 2017 and therefore has not been adopted for these financial statements. The impact of IFRS 15 is pervasive over all revenue recognised by Celtic plc. The adoption of this standard is not expected to have a material impact on the financial statements of the Group.

##### IFRS 16 Leases

The standard listed above is effective for financial periods commencing on or after 1 January 2019 and therefore has not been adopted for these financial statements. IFRS 16 will impact on the recognition of leases in respect of retail shops where the term is greater than 12 months. The adoption of this standard 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 2016.

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

##### (b) Depreciation

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

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

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016

### 2. ACCOUNTING POLICIES (CONTINUED)

#### (b) Depreciation (Continued)

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 at cost of £0.43m (2015: £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. Where the contract life is on a rolling basis, the carrying value is reviewed at the balance sheet date and a revised amortisation period is determined by considering all relevant information.

#### (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. To the extent, a previous impairment loss has been charged, and the basis of assessment is changed, the impairment charge is reversed in the current period, between Football and Stadium Operations, Merchandising and Multimedia and Other Commercial Activities.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 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

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.

Multimedia and Other Commercial Activities revenues are generated through the sale of television rights, sponsorship revenues and joint marketing and partnership initiatives. The following revenue forms part of Multimedia & Other Commercial Activities.

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.

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 2016

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### (f) Financial instruments

The Group and Company classify 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 or on deposit with banks, other short-term highly liquid investments with original maturities of three months or less from inception. For the purpose of the cashflow statement, deposits held on maturities of greater than 3 months are not classed as cash and cash equivalents under IAS7.

**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.

**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.

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

##### (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) 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 2016

### 2. ACCOUNTING POLICIES (CONTINUED)

#### (j) 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.

#### (k) 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.

#### (l) Exceptional operating expenses

It is the Group's policy to categorise the impairment of property, plant and equipment, the impairment of intangible assets and any subsequent reversal of a previous impairment of property, plant and equipment or intangible assets, onerous contract costs, compromise payments, non recurring expenditure as exceptional operating expenses in the consolidated statement of comprehensive income.

#### (m) 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:

- revenue recognition, as noted at 2(e) above;
- impairment of intangible assets, noted at 2(d) above;
- onerous lease provisions, noted at 2(g) above; and
- provisions for future contractual obligations relating to commercial contracts, by measuring expected contractual performance against best known information including assessing future income and expenditure against historical market data and best reliable future forecasts.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 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 2016	Football and Stadium Operations £000	Merchandising £000	Multimedia and Other Commercial Activities £000	Consolidated £000
External revenue	25,149	12,577	14,283	52,009
(Loss) / profit from segment before asset transactions and exceptional operating expenses	(22,024)	4,741	12,149	(5,134)
Exceptional operating expenses	(1,625)	-	(96)	(1,721)
Amortisation of intangible assets	(4,953)	-	-	(4,953)
Profit on disposal of intangible assets	12,644	-	-	12,644
Loss on disposal of property, plant and equipment	-	-	(106)	(106)
Operating profit				730
Net finance costs				(271)
Taxation				-
Profit for the year				459
Other information:				
Segment assets	80,040	4,030	1,396	85,466
Unallocated corporate assets				10,595
Consolidated total assets				96,061
Segment liabilities	24,117	1,869	1,367	27,353
Unallocated corporate liabilities				18,238
Consolidated total liabilities				45,591
Capital expenditure	1,529	-	90	1,619
Depreciation	1,541	68	80	1,689
Intangible asset additions	8,755	-	-	8,755
Amortisation	4,953	-	-	4,953
Net impairment charge / (reversal)	1,006	-	-	1,006

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 3. SEGMENTAL REPORTING (CONTINUED)

Year to 30 June 2015	Football and Stadium Operations £000	Merchandising £000	Multimedia and Other Commercial Activities £000	Consolidated £000
External revenue	27,969	11,679	11,432	51,080
(Loss) / profit from segment before asset transactions and exceptional operating expenses	(15,982)	4,684	9,110	(2,188)
Exceptional operating expenses	(715)	-	(25)	(740)
Amortisation of intangible assets	(7,313)	-	-	(7,313)
Profit on disposal of intangible assets	6,773	-	-	6,773
Loss on disposal of property, plant and equipment	-	-	(102)	(102)
Operating loss				(3,570)
Net finance costs				(377)
Taxation				-
Loss for the year				(3,947)
Other information:				
Segment assets	75,272	3,945	1,234	80,451
Unallocated corporate assets				11,965
Consolidated total assets				92,416
Segment liabilities	17,805	2,501	5,250	25,556
Unallocated corporate liabilities				16,909
Consolidated total liabilities				42,465
Capital expenditure	1,529	7	2	1,538
Depreciation	1,375	87	115	1,577
Intangible asset additions	9,421	-	-	9,421
Amortisation	7,313	-	-	7,313
Net impairment charge / (reversal)	(261)	-	-	(261)

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 4. TOTAL OPERATING EXPENSES

	2016	2015
	£000	£000
The Group's operating expenses comprised:		
Football and Stadium Operations (excluding exceptional items and asset transactions)	47,173	43,951
Merchandising	7,836	6,995
Multimedia and Other Commercial Activities	2,134	2,322
	57,143	53,268

#### 5. OPERATING (LOSS) / PROFIT

	2016	2015
	£000	£000
Operating (loss) / profit is stated after charging:		
Staff costs (note 8)	36,888	33,265
Depreciation of property, plant and equipment (note 15)	1,689	1,577
Impairment of intangible assets	1,294	378
Reversal of prior period impairment charges	(288)	(639)
Amortisation of intangible assets	4,953	7,313
Operating lease expense (note 28)	854	979
Foreign exchange loss / (gain)	212	(38)
Cost of inventories recognised as expense	6,879	6,051

#### 6. AUDITOR'S REMUNERATION

	2016	2015
	£000	£000
Fees payable to the Company's auditor and its associates in respect of:		
Audit of the Company's financial statements	20	20
Audit of the financial statements of the Company's subsidiaries	15	15
Audit related services	2	2
Taxation compliance services	22	16
Taxation advisory services	2	7
Other non-audit services	16	18
	77	78

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 7. EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £1.72m (2015: £0.74m) can be analysed as follows:

Exceptional operating expenses comprised	2016 £000	2015 £000
Impairment of intangible assets	1,294	378
Reversal of prior period impairment charges	(288)	(639)
Onerous employment contracts	-	650
Compromise payments on contract termination	715	351
	<u>1,721</u>	<u>740</u>

#### 8. STAFF PARTICULARS

Group	2016 £000	2015 £000
Wages and salaries	32,775	29,400
Social security costs	3,683	3,472
Other pension costs	430	393
	<u>36,888</u>	<u>33,265</u>

Included in the above wages and salaries is £482,000 (2015: £756,000) paid to agency staff.

Employee numbers Group	2016 Number	2015 Number
Players and football administration staff	166	155
Administration and retail staff	299	307
Average number of full time equivalents employed in the year:	<u>465</u>	<u>462</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 9. DIRECTORS' EMOLUMENTS

	Salary/ Fees	Ill Health Payment	Bonus	Benefits in kind	Total Excl pension costs	Pension Costs	2016 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
P Lawwell	575,429	-	406,751	17,380	999,560	-	999,560
I Livingston	30,000	-	-	-	30,000	-	30,000
C McKay	67,500	-	25,313	5,400	98,213	10,125	108,338
E Riley	82,213	237,500	34,164	5,983	359,860	11,774	371,634
B Wilson	25,000	-	-	-	25,000	-	25,000
	<u>880,142</u>	<u>237,500</u>	<u>466,228</u>	<u>28,763</u>	<u>1,612,633</u>	<u>21,899</u>	<u>1,634,532</u>

	Salary/ Fees	Ill Health Payment	Bonus	Benefits in kind	Total Excl pension costs	Pension Costs	2015 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
P Lawwell	564,128	-	417,787	17,349	999,264	-	999,264
I Livingston	4,193	-	-	-	4,193	-	4,193
E Riley	156,803	-	29,283	18,511	204,597	23,112	227,709
B Wilson	25,000	-	-	-	25,000	-	25,000
	<u>850,124</u>	<u>-</u>	<u>447,070</u>	<u>35,860</u>	<u>1,333,054</u>	<u>23,112</u>	<u>1,356,166</u>

The aggregate emoluments and pension contributions of the highest paid director were £999,560 (2015: £999,264) and nil (2015: £nil) 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 (2015: 1) directors. The employers NIC on directors' remuneration during the year amounted to £175,336 (2015: £179,517). No directors received share options during the year (2015: £nil). In the year to 30 June 2016, Eric Riley received a payment of £237,500 in relation to ill health and waived all rights to remuneration in respect of the 6 months to 30 June 2016 where he acted as a non-executive director of the Company.

#### 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 £298,827 (2015: £335,102) and £131,387 (2015: £63,971) respectively. Group and Company contributions of £24,832 (2015: £32,740) and £6,087 (2015: £8,469) 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 11. FINANCE INCOME AND EXPENSE

	2016 £000	2015 £000
Finance income:		
Notional interest on deferred consideration	322	132
Interest receivable on bank deposits	28	53
	350	185
Finance costs:		
Interest payable on bank and other loans	119	130
Dividend on Convertible Cumulative Preference Shares (note 13)	502	432
	621	562

#### 12. TAX ON ORDINARY ACTIVITIES

No provision for corporation tax or deferred tax is required in respect of the year ended 30 June 2016. Estimated tax losses available for set-off against future trading profits amount to approximately £16.08m (2015: £16.40m) and, in addition, the available capital allowances pool is approximately £10.25m (2015: £11.25m). 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 20.00% (2015: 20.75%). The differences are explained below:

	2016 £000	2015 £000
Profit / (loss) on ordinary activities before tax	459	(3,947)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 20.00% (2015: 20.75%)	92	(819)
Effects of:		
Expenses not deductible for tax purposes	15	-
Depreciation for the period (below) / in excess of capital allowances	(147)	229
Dividends reclassified as interest	100	90
Untaxed income	-	(157)
Other	3	20
Losses in the year – unutilised	(63)	637
	-	-
Total tax charge for year	-	-

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

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 13. DIVIDENDS PAYABLE

A 6% (before tax credit deduction) non-equity dividend of £0.52m (2015: £0.52m) was paid on 1 September 2016 to those holders of Convertible Cumulative Preference Shares on the share register at 29 July 2016. A number of shareholders elected to participate in the Company's scrip dividend reinvestment scheme for the financial year to 30 June 2016. Those shareholders have received new Ordinary Shares in lieu of cash. No dividends were payable or proposed to be payable on the Company's Ordinary Shares.

During the year, the Company reclaimed £0.02m (2015: £0.09m) in respect of statute barred preference dividends in accordance with the Company's Articles of Association.

#### 14. EARNINGS PER SHARE

	2016	2015
	£000	£000
Reconciliation of earnings to basic earnings:		
Net earnings / (loss) attributable to equity holders of the parent	459	(3,947)
Basic earnings / (loss)	459	(3,947)
Reconciliation of basic earnings / (loss) to diluted earnings:		
Basic earnings / (loss)	459	(3,947)
Non-equity share dividend	521	523
Reclaim of statute barred non-equity share dividends	(19)	(91)
Diluted earnings / (loss)	961	(3,515)
	<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	93,120	92,774
Dilutive effect of convertible shares	43,179	43,554
Diluted weighted average number of ordinary shares	136,299	136,328

Earnings per share has been calculated by dividing the profit for the period of £0.46m (2015: loss of £3.95m) by the weighted average number of Ordinary Shares of 93.1m (2015: 92.8m) in issue during the year. Diluted earnings per share as at 30 June 2016 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, if dilutive, in accordance with IAS33 Earnings Per Share.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 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 2015	53,989	4,114	18,093	76,196
Additions	191	60	1,368	1,619
Disposals	-	(69)	(643)	(712)
<b>At 30 June 2016</b>	<b>54,180</b>	<b>4,105</b>	<b>18,818</b>	<b>77,103</b>
<b>Accumulated Depreciation</b>				
At 1 July 2015	3,564	2,584	14,596	20,744
Charge for year	587	230	872	1,689
Eliminated on disposal	-	(58)	(548)	(606)
<b>At 30 June 2016</b>	<b>4,151</b>	<b>2,756</b>	<b>14,920</b>	<b>21,827</b>
<b>Net Book Value</b>				
<b>At 30 June 2016</b>	<b>50,029</b>	<b>1,349</b>	<b>3,898</b>	<b>55,276</b>
At 30 June 2015	50,425	1,530	3,497	55,452
<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 2014	53,859	4,114	16,835	74,808
Additions	280	-	1,258	1,538
Disposals	(150)	-	-	(150)
<b>At 30 June 2015</b>	<b>53,989</b>	<b>4,114</b>	<b>18,093</b>	<b>76,196</b>
<b>Accumulated Depreciation</b>				
At 1 July 2014	3,025	2,390	13,799	19,214
Charge for year	586	194	797	1,577
Eliminated on disposal	(47)	-	-	(47)
<b>At 30 June 2015</b>	<b>3,564</b>	<b>2,584</b>	<b>14,596</b>	<b>20,744</b>
<b>Net Book Value</b>				
<b>At 30 June 2015</b>	<b>50,425</b>	<b>1,530</b>	<b>3,497</b>	<b>55,452</b>
At 30 June 2014	50,834	1,724	3,036	55,594

Freehold land and buildings include capitalised interest of £0.43m (2015: £0.43m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 16. INTANGIBLE ASSETS

Group and Company	2016 £000	2015 £000
<b>Cost</b>		
At 1 July	30,200	27,475
Additions	8,755	9,421
Disposals	(10,711)	(6,696)
<b>At 30 June</b>	<b>28,244</b>	<b>30,200</b>
<b>Amortisation</b>		
At 1 July	21,844	20,278
Charge for year	4,953	7,313
Provision for impairment	1,294	378
Reversal of prior period impairment	(288)	(639)
Disposals	(9,357)	(5,486)
<b>At 30 June</b>	<b>18,446</b>	<b>21,844</b>
<b>Net Book Value</b>		
<b>At 30 June</b>	<b>9,798</b>	<b>8,356</b>

The number of players with a book value in excess of £1m by contract expiry date is as follows:	2016 No.	2016 £000	2015 No.	2015 £000
Contract expiry within 1 year	1	1,458	-	-
Contract expiry within 2 years	-	-	1	1,323
Contract expiry within 3 years	3	4,608	1	1,421
Contract expiry within 4 years	-	-	1	1,469
	<b>4</b>	<b>6,066</b>	<b>3</b>	<b>4,213</b>

No individual intangible asset included above accounted for more than 23% of the total net book value of the intangible assets (2015: 18%). The opening net book value of intangible assets at 1 July 2015 was £8.36m and on 1 July 2014 was £7.20m.

The profit on disposal of player registrations in the year was £12.64m (2015: £6.77m). 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 £1.29m (2015: £0.38m) includes 2 players (2015: 1) whose contract expires within one year. Of the total impairment charge, £1.02m relates to 1 player.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 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

	2016 Group £000	2015 Group £000	2016 Company £000	2015 Company £000
Raw materials	29	30	-	-
Finished goods	1,860	2,068	-	-
	<u>1,889</u>	<u>2,098</u>	<u>-</u>	<u>-</u>

Inventories written down during the year amounted to £0.16m (2015: £0.24m).

#### 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 deferred tax asset was £2.93m (2015: £3.28m) which represents losses carried forward of £16.16m (2015: Loss £16.40m). This asset would be recoverable against future taxable profits of the Group. The Group has an available capital allowances pool of approximately £10.25m (2015: £11.30m). In line with IAS 12 Income Taxes and given the financial difficulties currently being experienced by the domestic football sector, the Group has not recognised the deferred tax 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 2016, the deferred tax asset not reflected in the Company's Financial Statements was £0.018m (2015: £0.18m) which represents unutilised trading losses of £0.018m (2015: fixed asset timing differences £0.9m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 20. TRADE & OTHER RECEIVABLES

	2016 Group £000	2015 Group £000	2016 Company £000	2015 Company £000
Trade receivables	17,445	13,101	13,388	10,551
Provision for doubtful debts (see below)	(50)	(20)	(5)	-
	<u>17,395</u>	<u>13,081</u>	<u>13,383</u>	<u>10,551</u>
Prepayments and accrued income	1,005	1,428	157	185
Related party receivables	-	-	-	1,719
Other receivables	248	231	-	50
	<u>18,648</u>	<u>14,740</u>	<u>13,540</u>	<u>12,505</u>

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

	2016 Group £000	2015 Group £000	2016 Company £000	2015 Company £000
Trade receivables	<u>3,966</u>	<u>2,291</u>	<u>3,966</u>	<u>2,291</u>

The movement in the provision for doubtful debts was as follows:	2016 Group £000	2015 Group £000	2016 Company £000	2015 Company £000
Opening balance	20	211	-	39
Balances written off	(6)	(196)	-	(16)
Change in provision	36	5	5	(23)
Closing balance	<u>50</u>	<u>20</u>	<u>5</u>	<u>-</u>

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

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 21. CASH AND CASH EQUIVALENTS

	2016 Group £000	2015 Group £000	2016 Company £000	2015 Company £000
Cash at bank	10,429	11,749	9,684	11,395
Cash on hand	21	21	-	-
Cash and cash equivalents	<u>10,450</u>	<u>11,770</u>	<u>9,684</u>	<u>11,395</u>

#### Group

Included in the cash balance of £10.45m is £nil (2015: £2.40m) which is on deposit with a maturity date of greater than 3 months at the balance sheet date. The cash and cash equivalents balance for the purposes of the cash flow statement under IAS 7 is therefore £10.45m (2015: £9.37m).

#### Company

Included in the cash balance of £9.68m is £nil (2015: £2.40m) which is on deposit with a maturity date of greater than 3 months at the balance sheet date. The cash and cash equivalents balance for the purposes of the cash flow statement under IAS 7 is therefore £9.68m (2015: £9.00m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 22. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid			2015 £000
	2016 No. '000	2015 No. '000	2016 No. '000	2016 £000	2015 No. '000	
<b>Group and Company</b>						
<b>Equity</b>						
Ordinary Shares of 1p each	222,787	221,927	93,256	933	92,831	928
Deferred Shares of 1p each	631,134	612,541	631,134	6,311	612,541	6,125
Convertible Preferred Ordinary Shares of £1 each	15,029	15,171	13,042	13,042	13,184	13,184
<b>Non-equity</b>						
Convertible Cumulative Preference Shares of 60p each	18,552	18,632	16,052	9,631	16,132	9,679
Less reallocated to debt under IAS 32:						
Initial debt		-		(2,846)	-	(2,841)
Capital reserve		-		(2,781)	-	(2,781)
	<b>887,502</b>	<b>868,271</b>	<b>753,484</b>	<b>24,290</b>	<b>734,688</b>	<b>24,294</b>

On 31 August 2016, 64,734 new Ordinary Shares of 1p each were issued in respect of mandates received from holders of Convertible Cumulative Preference Shares.

The Convertible Preferred Ordinary Shares may be converted into Ordinary Shares and Deferred Shares on the election of the shareholder. Each Convertible Preferred Ordinary Share converts into 2.08 Ordinary Shares and 97.92 Deferred Shares. Since 30 June 2016, the Company has converted 34,897 Convertible Preferred Ordinary Shares. As at 14 September 2016, the latest practicable date before publication, notices had been received in respect of conversion of 400 Convertible Preferred Ordinary Shares.

Each Convertible Cumulative Preference Share of 60p carries the right, subject to the availability of distributable profits, to the payment of a fixed preference dividend equal to 6% (less tax credit deduction) of its nominal value, cumulative with effect from 1 July 1996. The first dividend was paid on 31 August 1997. Holders of Preference Shares of 60p are entitled to convert each Preference Share into one Ordinary Share of 1p and 59 Deferred Shares of 1p each. During the year ended 30 June 2016, 79,623 Preference Shares were converted in accordance with these provisions. The Ordinary Shares of 1p each, arising on conversion rank pari passu in all respects with the existing Ordinary Shares of 1p each. The Deferred Shares are non-transferable, carry no voting rights, no class rights and have no valuable economic rights. As at 14 September 2016, the latest practicable date before publication, no notices had been received in respect of the conversion of Preference Shares.

The current measurement of the debt element of the Convertible Cumulative Preference shares in the Statement of Financial Position is £4.24m (2015: £4.26m). 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.

**Celtic plc**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2016**

**22. SHARE CAPITAL (CONTINUED)**

<b>Reconciliation of number of Ordinary Shares in issue:</b>	<b>2016</b>	<b>2015</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	92,831	91,754
Shares issued re scrip dividend scheme	50	59
Shares issued re Convertible Preferred Ordinary Share conversions	295	934
Shares issued re Preference Share Conversion	80	84
	<hr/>	<hr/>
Closing Balance	<b>93,256</b>	<b>92,831</b>
	<hr/>	<hr/>
<b>Reconciliation of number of Deferred Shares in issue:</b>	<b>2016</b>	<b>2015</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	612,541	563,589
Shares issued re Convertible Preferred Ordinary Share conversions	13,895	43,971
Shares issued re Preference Share conversions	4,698	4,981
	<hr/>	<hr/>
Closing Balance	<b>631,134</b>	<b>612,541</b>
	<hr/>	<hr/>
<b>Reconciliation of number of Convertible Preferred Ordinary Shares in issue:</b>	<b>2016</b>	<b>2015</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	13,184	13,633
Convertible Preferred Ordinary Share conversions to Ordinary and Deferred Shares	(142)	(449)
	<hr/>	<hr/>
Closing Balance	<b>13,042</b>	<b>13,184</b>
	<hr/>	<hr/>
<b>Reconciliation of number of Convertible Cumulative Preference Shares in issue:</b>	<b>2016</b>	<b>2015</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	16,132	16,216
Convertible Cumulative Preference Share conversions to Ordinary and Deferred Shares	(80)	(84)
	<hr/>	<hr/>
Closing Balance	<b>16,052</b>	<b>16,132</b>
	<hr/>	<hr/>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 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 £312,000 (2015: £324,000) will remain non-distributable from this Other Reserve until such loans are repaid by the Company.

The Capital Reserve arose historically 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.

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 £0.09m (2015: £0.46m).

#### 24. BORROWINGS – Group and Company

	2016 £000	2015 £000
Current portion of interest bearing liabilities	200	200
Non current portion of interest bearing liabilities	6,650	6,850
	6,850	7,050

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 the initial £20.40m loan facility which reduces by £0.05m per quarter until May 2019 with the balance 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

	2016 Group £000	2015 Group £000	2016 Company £000	2015 Company £000
Current portion of bank loans	200	200	200	200
Other loans	104	108	104	108
Accrued expenses	8,492	8,490	5,721	6,943
Trade and other payables	3,387	6,089	2,800	4,193
Amounts owing to group companies	-	-	2,556	-
Provisions (see note 26)	196	251	-	-
	12,379	15,138	11,381	11,444

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 2016

#### 26. PROVISIONS FOR LIABILITIES

##### Group

	Onerous lease £000	Dilapidations £000	Other £000	Total £000
<b>Cost</b>				
At 1 July 2015	1,038	120	-	1,158
Provided for during the year	56	28	328	412
Utilised during the year	(251)	(18)	-	(269)
<b>At 30 June 2016</b>	<b>843</b>	<b>130</b>	<b>328</b>	<b>1,301</b>
Due within one year or less	190	6	-	196
Due after more than one year	653	124	328	1,105
<b>At 30 June 2016</b>	<b>843</b>	<b>130</b>	<b>328</b>	<b>1,301</b>

There are no such provisions held within the Company. Refer to note 2(g) for details on the recognition of provisions.

#### 27. DEFERRED INCOME

	2016 Group £000	2015 Group £000	2016 Company £000	2015 Company £000
Income deferred less than one year	<u>19,872</u>	<u>12,708</u>	<u>724</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.

	2016 Group £000	2015 Group £000	2016 Company £000	2015 Company £000
Income deferred after more than one year	<u>1,343</u>	<u>2,600</u>	<u>-</u>	<u>59</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 2016/17.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 28. CAPITAL AND OTHER FINANCIAL COMMITMENTS

##### a. Capital commitments

	2016	2015
Group and Company	£000	£000
Authorised and contracted for	<b>452</b>	<b>689</b>

##### b. Other commitments

At 30 June 2016 the Group had commitments under operating leases as follows:

	Land & Buildings		Other	
	2016	2015	2016	2015
	£000	£000	£000	£000
<b>Amounts payable:</b>				
Within 1 year	589	653	6	15
Between 2 and 5 years	1,728	1,851	-	6
In more than 5 years	490	771	-	-

Lease payments recognised in the income statement for the period amounted to £0.85m (2015: £0.98m).

##### 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 2016 could result in an amount payable of £4.17m (2015: £3.88m), of which £2.38m (2015: £1.93m) could arise within one year and amounts receivable of £2.70m (2015: £1.59m), of which £1.21m (2015: £0.27m) could arise within one year.

	2016	2015
Group and Company	£000	£000
<b>Conditions for triggering additional amounts payable:</b>		
Appearances	913	649
Success achievements	557	271
Appearances and success achievements	992	1,330
Registered at a future pre-determined date	1,710	1,627
	<b>4,172</b>	<b>3,877</b>
Number of players contingent transfer fee payable relates to	<b>38</b>	<b>38</b>

##### d. Cross guarantees

Cross guarantees of nil (2015: £nil) exist between the Company and other members of the Celtic plc group.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

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

##### Financial risk management objectives & policies

The principal financial instruments during the financial year ended 30 June 2016 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 main purpose of these financial instruments is to finance the Group's operations. The financial assets are trade receivables and cash and are 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 while 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 market rate risk, credit risk and liquidity 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. There were no forward contracts in place at the year end. In addition, the Group and Company benefitted from low interest rates during the financial year.

In the directors' assessment, the principal risks remain unchanged from 2015.

The Group has exposure to the following risks from its use of financial instruments:

- (i) Market risk;
- (ii) Credit risk; and
- (iii) Liquidity risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

##### (i) Market risk

The Group's activities expose it primarily to the financial risk of changes in interest rates.

##### *Interest Rate Risk*

The working capital of the Group and Company is funded largely by bank borrowings. The Group and Company has a £18.7m (2015: £19.6m) facility with the Co-operative Bank of which £5.0m is in the form of a Revolving Credit Facility ("RCF") and £13.7m (2015: £14.1m) in long-term loans. While the nature of the RCF results in the application of a floating rate, the loans offer the possibility to lock into a longer-term interest rate. £6.85m (2015: £7.05m) of the loan facility is required to be drawn down for the term of the facility agreement with this drawn down balance reducing by £0.2m per annum.

During 2015/16, fixed rate periods were for three months and the average balance on the loans was £6.95m (2015: £7.13m). During the course of the year, the Group had an average credit balance on the RCF facility of £nil (2015: £nil). The average RCF rate applicable during the year was 1.55% (2015: 1.55%) and the average loan rate 1.68% (2015: 1.68%).

##### *Interest rate sensitivity analysis*

Based on the average levels of debt in the year to 30 June 2016 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 £0.07m (2015: £0.07m). The calculation in both years incorporates the terms and conditions of the agreement with the Co-operative Bank at that time.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 29. FINANCIAL INSTRUMENTS (CONTINUED)

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 2015.

#### (ii) Credit Risk

##### *Trade receivables*

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

Trade receivables, where the credit terms extend beyond the Group's standard credit terms, are recorded at fair value using the discounted cash flow method.

As at 30 June 2016, £0.35m representing 2.0% of trade receivables of the Group of £17.54m were past due but not impaired (2015: £0.28m, 2.2%) and £0.003m representing 0.02% of the trade receivables of the Company of £13.52m were past due but not impaired (2015: £0.02m, 0%). Group trade receivables of £0.05m (2015: £0.02m) were considered to be impaired at the year end due to the aging profile of the balances and management's assessment of the likely outcome. Details of trade receivables are included in Note 20. An analysis of trade receivables past due but not impaired is as follows:

<i>Trade receivables:</i>	<b>2016</b>	2015	<b>2016</b>	2015
	<b>Group</b>	Group	<b>Company</b>	Company
	<b>£000</b>	£000	<b>£000</b>	£000
Up to 30 days past due	<b>311</b>	251	<b>3</b>	18
Between 60 and 30 days past due	<b>11</b>	14	-	1
Over 60 days past due	<b>33</b>	20	-	-
	<b>355</b>	285	<b>3</b>	19

##### *Cash at bank and cash deposits*

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

	<b>2016</b>	2015	<b>2016</b>	2015
	<b>Group</b>	Group	<b>Company</b>	Company
	<b>£000</b>	£000	<b>£000</b>	£000
Co-operative Bank	<b>943</b>	349	<b>278</b>	99
Royal Bank of Scotland	<b>2,002</b>	1,754	<b>2,002</b>	1,754
Allied Irish Bank	<b>80</b>	104	-	-
Barclays	<b>3,000</b>	3,498	<b>3,000</b>	3,498
Santander	<b>2,400</b>	2,613	<b>2,400</b>	2,613
HSBC	<b>2,004</b>	3,431	<b>2,004</b>	3,431
Sub total	<b>10,429</b>	11,749	<b>9,684</b>	11,395
Cash on hand	<b>21</b>	21	-	-
Cash and cash equivalents	<b>10,450</b>	11,770	<b>9,684</b>	11,395

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 29. FINANCIAL INSTRUMENTS (CONTINUED)

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 2016 and 2015, the Co-operative Bank was in a net lending position, as £6.85m (2015: £7.05m) of the available loan facility, as noted above, is required to be drawn down for the term of the facility agreement.

#### (iii) 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 and other payables are payable monthly in arrears where undisputed or alternatively in accordance with particular contract terms. As at 30 June 2016, 63% of trade payables of the Group were due to be paid within one month (2015: 76%) and 38% of trade payables of the Company were due to be paid within one month (2015: 52%). The nature of other payables is such that amounts due will crystallise within a 3 month period.

The cash flow related to the maturity of the bank borrowings (inclusive of interest) of the Group and Company is as set out below.

	2016 Group £000	2016 Group £000	2016 Group £000	2016 Group £000	2016 Group £000
	Due between 0 to 3 months	Due between 3 to 12 months	Due between 1 to 5 years	Due after 5 years	Total
Non-current borrowings	28	85	6,873	-	6,986
Current portion of borrowings	51	152	-	-	203
<b>Total</b>	<b>79</b>	<b>237</b>	<b>6,873</b>	<b>-</b>	<b>7,189</b>

	2015 Group £000	2015 Group £000	2015 Group £000	2015 Group £000	2015 Group £000
	Due between 0 to 3 months	Due between 3 to 12 months	Due between 1 to 5 years	Due after 5 years	Total
Non-current borrowings	29	90	7,306	-	7,425
Current portion of borrowings	51	152	-	-	203
<b>Total</b>	<b>80</b>	<b>242</b>	<b>7,306</b>	<b>-</b>	<b>7,628</b>

Other loans held by the Company of £0.11m (2015: £0.11m) are repayable on demand.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 29. FINANCIAL INSTRUMENTS (CONTINUED)

The Company's financial liabilities include the annual payment of £0.52m (2015: £0.52m) in respect of the Convertible Cumulative Preference Share dividends. At the balance sheet date, based on the available information, the future cash flows of this liability are £0.52m in perpetuity.

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.

The bank loans and RCF bear interest at LIBOR plus 1.125% and base rate plus 1.0% respectively, as was the case in the year ended 30 June 2015. 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.

Of the available bank facilities of £18.7m (2015: £19.6m), of which £13.7m is represented by long-term loans and £5.0m by RCF, £11.85m (2015: £12.55m) remains undrawn at the balance sheet date. The undrawn facility will expire on the following dates:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Facilities expiring within one year	<b>200</b>	200
Facilities expiring between two and five years	<b>6,650</b>	6,850
Revolving Credit Facility	<b>5,000</b>	5,500
	<b><u>11,850</u></b>	<b><u>12,550</u></b>

#### Compound Financial Instruments

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 (2015: £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.

Under IFRS 13, the Convertible Cumulative Preference Shares are measured under level 3 of the fair value hierarchy (unobservable inputs). The valuation technique used has been a discounted cash flow method.

#### 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 £18.7m 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2016

#### 29. FINANCIAL INSTRUMENTS (CONTINUED)

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.

#### 30. POST BALANCE SHEET EVENTS

Since the balance sheet date we have secured the registrations of Moussa Dembele, Scott Sinclair, Dorus Devries, Kolo Toure and Christian Gamboa while the registrations of Scott Allan and Saïdy Janko have been temporarily transferred to Rotherham and Barnsley respectively. We permanently transferred the registration of Stefan Johansen to Fulham and the registration of Darnell Fisher to Rotherham.

We have also temporarily transferred the registrations of development squad players Aidan Nesbett and Jamie Lindsay to Greenock Morton, Joe Thomson to Dumbarton and Luke Donnelly to Alloa.

Further expenditure of £6.31m has been committed in acquiring player registrations. Post year player registrations have been disposed of with net sale proceeds of £2.38m.

#### 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 £15.35m (2015: £14.21m) with £2.40m (2015: £1.72m) due to the parent company at the balance sheet date.

Key management personnel are deemed to be the Directors and the salaries paid to them have been disclosed in the Remuneration Report on page 28.