

# Celtic plc

ANNUAL REPORT

YEAR ENDED 30 JUNE 2018



Registered No: SC 3487

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# Celtic plc

## SUMMARY OF RESULTS FOR THE YEAR ENDED 30 JUNE 2018

### Operational Highlights

- Winner of the Scottish Domestic “Double Treble” and our seventh consecutive SPFL Premiership title
- Qualified for the UEFA Champions League group stages for the second consecutive season
- Finished third in the UEFA Champions League group stage, qualifying for the round of 32 of the Europa League
- 32 home matches (including the Scott Brown Testimonial) played at Celtic Park (2017: 31)

### Financial Highlights

- Group revenue increased by 12.1% to £101.6m (2017: £90.6m)
- Operating expenses including labour increased by 14.1% to £87.1m (2017: £76.3m)
- Gain on sale of player registrations of £16.5m (2017: £2.3m)
- Acquisition of player registrations of £16.6m (2017: £13.8m)
- Profit before taxation of £17.3m (2017: £6.9m)
- Year-end cash net of bank borrowings of £36.1m (2017: £17.9m)
- Year-end net cash, net of debt and debt like items, of £27.0m (2017: £13.4m)<sup>1</sup>

<sup>1</sup>net cash, net of debt like items, is represented by cash net of bank borrowings of £36.1m (2017: £17.9m) further adjusted for other debt like items, namely the net player trading balance, other loans and remuneration balances owed to certain personnel at the balance sheet date.

# Celtic plc

## DIRECTORS, OFFICERS & ADVISERS

### DIRECTORS, OFFICERS AND ADVISERS

#### Directors

Ian P Bankier (Chairman)  
Thomas E Allison\*§  
Sharon Brown\*  
Dermot F Desmond\*  
Peter T Lawwell (Chief Executive)  
Christopher McKay (Financial Director)  
Brian D H Wilson\*

§ Senior Independent Director

\* Independent 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\* (resigned as Director on 11 June 2018)

#### 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

Sharon Brown (Chairman)  
Dermot F Desmond  
Brian D H Wilson

#### Nomination Committee

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

#### 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 declare record sales revenue of £101.6m (2017: £90.6m) and a profit before taxation of £17.3m (2017: £6.9m), reflect a financial year in which everything went well.

On behalf of the Board I congratulate Brendan Rodgers, his staff and the players on making history for a second successive year, achieving a historic "Double Treble", a seventh consecutive League Championship and consecutive qualifications for the group stages of the UEFA Champions League. Everything that happens on the pitch is supported across the Club and I also congratulate the executive management team and all the staff at the Club.

The Board considers that the Group's proven strategy of investment in football operations, whilst maintaining a self-sustaining financial model, has provided a stable platform for the success enjoyed in the year under review. This approach remains entirely appropriate for us, as we seek to continue to deliver football success and, in turn, shareholder value.

The year-end net cash was £36.1m (2017: £17.9m) which equates to a net funding position of £27.0m (2017: £13.4m) when adjusted for debt and debt like items (as defined in the Summary of Results on page 2). This allows the Board to plan for the unexpected and manage the immediate disappointment of failing to qualify for the Group Stages of the Champions League.

In my last annual report I referred to our vulnerability to the growing financial power of a number of key constituencies within the European Game. These circumstances are unchanged and we remain watchful of events that unfold. Through Peter Lawwell's continued involvement in the Board of the European Club Association, the Club Competitions Committee at UEFA and the Professional Football Strategy Council of UEFA, the Club and the game in Scotland are well represented in this very important arena.

During the year, we made prudent and considered investments in our infrastructure at Celtic Park, including the completion of a new playing surface to suit the manager's desired style of play, new LED floodlighting to comply with the UEFA elite requirements and an updated sound system. Celtic Park's reputation as one of the foremost football arenas in the world, with our supporters recognised as the best in the world by FIFA, is something we can all be proud of.

The Club continues to support the important work of the Celtic FC Foundation and we all share the same sense of pride in the generosity of Celtic supporters, which the Foundation harnesses to help so many people at home and abroad. It is often said that Celtic is a club like no other and the efforts of Celtic supporters and the Foundation is the best example of that.

I thank all of our supporters, shareholders, sponsors, partners and colleagues for their contribution to another successful year for the Club. We will continue to work together to develop our club for the long term.



**Ian P Bankier**  
**19 September 2018**  
**Chairman**

# Celtic plc

## CHIEF EXECUTIVE'S REVIEW

Each year, our key football objective is success in all three domestic competitions and in the UEFA Champions League. Building on the remarkable Invincible season last year, the Club made history again this year by winning the "Double Treble" for the first time in Scottish football history. Added to that, the team qualified for and performed well in the group stages of the UEFA Champions League, competing with two of the strongest teams in the world and qualifying for the last 32 of the UEFA Europa League. I congratulate Brendan, his staff, the players and everyone at the Club for these remarkable achievements.

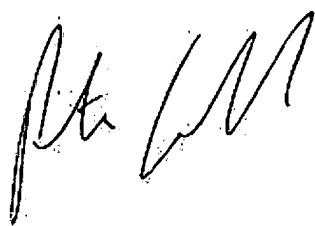
The Club recognises that success on the pitch leads to success off the pitch, which is why the Board is committed to investing in our football operations. Our ambition remains to create a world class football club. Our success on the pitch this year has allowed us to commit, not only to fees for the transfer of player registrations (£16.6m, rising from £13.8m in 2017), but also to player, football management, coaching, recruitment, medical, performance, sports science and the youth academy costs. Total labour costs in 2018 increased by £7.1m, from £52.2m in 2017 to £59.3m (14%), largely due to increases in the football department. This has allowed the Club to retain key football personnel including Kristoffer Ajer, Kieran Tierney, Calum McGregor, Tom Rogic and Leigh Griffiths on long term contracts.

We continue to search the world for talented players to play the Celtic way, such as Odsonne Edouard who joined the Club for a Club record transfer fee. Player recruitment and development continues to be fundamental to the Club. Our objective is always to bring players to the Club who will improve the squad. Given the quality of our existing squad that is a challenging task, made more difficult by hyper-inflation in transfer fees and player salaries in the market. Nevertheless, our objective is to invest everything that we can into the football operation without putting the Club at risk.

For season 2018/19, everyone at the Club was disappointed not to qualify for the Group Stages of the Champions League. As we shared the successes of the last two seasons, we share in that disappointment, but given the Club's strategy over many years we have financial reserves to rely upon as we continue to look to the future with ambition and optimism.

Our long term strategy enables us to continue to invest in player retention, player recruitment, stadium infrastructure and everything that is needed to develop the Club for future generations and to continue to deliver success. We have an excellent first team squad and in the Youth Academy we have the next generation of exciting young players such as Mikey Johnston, Karamoko Dembele and many others, all of whom are eager to follow in the footsteps of Kieran Tierney, James Forrest and Calum McGregor in becoming Champions League players for Celtic Football Club.

In closing I would like to record my continued appreciation for our Club captain, Scott Brown, who celebrated his Testimonial Season during the year. Scott has served Celtic brilliantly over the past decade. He has been a fantastic Celtic captain, doing so much for the Club on and off the pitch in this role. Scott's dedication and commitment is an inspiration to everyone at the Club as we work to deliver success for the Celtic support.



**Peter Lawwell**  
**19 September 2018**  
**Chief Executive**

# Celtic plc

## STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30th June 2018.

The Strategic Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. The strategic report discusses the following areas:

- Strategic management
  - Strategy, the business model and objectives (refer to page 6)
- Business environment
  - Main trends and factors (refer to pages 15-19)
  - Principal risks and uncertainties (refer to pages 12-14)
- Business performance
  - Fair review of the Group's business (refer to pages 6-12)
  - Key performance indicators (refer to page 7)

### 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 a self-sustaining financial model, relying upon: youth academy; player development; player recruitment; management of the player pool; sports science and performance analysis; and football success.
- (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** – 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 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.

The Group has three key revenue streams:

- (i) Football and Stadium Operations;
- (ii) Merchandising; and
- (iii) Multimedia and Other Commercial Activities.

A segmental analysis of these streams is reported in note 4 to the financial statements. Football and stadium operations includes all revenue in relation to all football operations, ticket office, stadium and youth development. Merchandising includes all retail, wholesale and e-commerce activities. Multimedia and other commercial activities include all other revenue generating departments including sponsorship and rights sales. Given the nature of the business, all revenue streams are inextricably linked to the success of the first team.

# Celtic plc

## STRATEGIC REPORT

### KEY PERFORMANCE INDICATORS

The Group monitors performance against the following key performance indicators:

- Football success (refer to page 7, Overview and page 35 Five Year Record);
- Match attendance statistics (refer to page 10, Match Ticket Sales and page 35 Five Year Record);
- Sales performance per revenue stream (refer to note 4, Segmental Reporting);
- Wage and other costs (refer to page 16, Operating Expenses and page 18, Current Trading and Outlook);
- Capital expenditure (refer to page 16, Property Plant and Equipment);
- Profit and cash generation (refer to page 18, Current Trading and Outlook);
- Shareholder value (with weekly share price reporting disseminated within the business); and
- Player trading (refer to page 16, Net Player Trading)

The key components of these KPIs are discussed on the following pages.

The Group operates 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, total cost control including total labour costs, player trading gains or losses and capital expenditure. The 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 by revenue stream and match attendance analysis.

A review of performance of the Group, particularly in relation to football success and match attendance statistics, sales performance, wage and other costs, capital expenditure and player trading is outlined in this Strategic Report, under the sub headings which follow, as appropriate.

### (i) FOOTBALL AND STADIUM OPERATIONS

#### OVERVIEW

The Club enjoyed unprecedented success on the field in 2017/18, achieving a historic "Double Treble" completing a domestic treble for the second consecutive season and the fifth treble in our history.

We won our seventh Scottish Premiership title in a row, eventually finishing the season accumulating 82 points. We defeated Motherwell in November 2017 to win the Betfred League Cup and again defeated Motherwell to win the William Hill Scottish Cup in May 2018 completing the Domestic Treble.

We also successfully qualified for the group stages of the UEFA Champions League ("UCL"), exiting the group with 3 points to go on into the Round of 32 of the UEFA Europa League ("UEL") where we played Zenit St. Petersburg losing 3-1 over 2 legs.

Scott Brown was named the Scottish Football Writers' Association Footballer of the year as well as capturing the PFA Scotland Players' Player of the Year Award. Teammate Kieran Tierney won the PFA Young Player prize for the third year in a row, becoming the first player to do so as well as capturing the Goal of the Season award for his stunning strike in Celtic's 5-0 win against Kilmarnock in the Betfred League Cup in August.

# Celtic plc

## STRATEGIC REPORT

Investment in the playing squad was reflected with the permanent transfers of Olivier Ntcham, Jack Hendry and Marvin Compper as well as the temporary transfers of Patrick Roberts, Odsonne Edouard and Scott Bain with the latter 2 now having signed permanently. Prudent management of the player pool remains a key part of our strategy, in terms of the balance of maintaining a strong first team squad and investing for the future.

We also had a successful year in player trading and recorded a total gain on sale of £16.5m. This principally relates to the realisation of a sell on associated with former player Virgil Van Dijk, who moved from Southampton to Liverpool, and the sale of Stuart Armstrong in June 2018.

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 Club's infrastructure, providing first class people, resources, systems and facilities and thereby offering the greatest opportunity for ongoing football success.

### YOUTH ACADEMY

During another highly successful year for the Club, culminating in the completion of the "Double Treble", it is extremely pleasing to see some of our Academy graduates contributing to this fantastic achievement. Once again we are delighted with the progress of all age groups and continue with our primary objective of producing Champions League standard players.

We have been delighted with the continued success of Kieran Tierney, James Forrest and Callum McGregor, who are all now mainstays within the First Team along with Jack Hendry, who was welcomed back to the Club in January. We are also pleased to see more Academy players such as Michael Johnston, Ewan Henderson and Calvin Miller also being involved in a number of games throughout the campaign and continuing to work towards First Team opportunities. All of these Academy graduates are an excellent example to our current Academy players. Moreover, we have been particularly proud of Kieran Tierney for captaining both Club and country at the age of 20. In addition, Connor Hazard also made his debut in goal for the senior Northern Ireland team, a proud moment for all in the Academy. It has also been pleasing to see the progress of Kristoffer Ajer, who spent a year in the Academy and has now asserted himself as a First Team regular and was also capped for Norway in the year.

The next group pushing to break through will undoubtedly benefit from the input from First Team Manager Brendan Rodgers, who regularly attends their games, giving advice on how they can continue to improve and constantly setting those targets to aid their progress. Brendan's regular 'in service sessions' with our Academy staff have been a massive help in motivating them and reinforcing the standard required for young players to break into our First Team.

Once again, a number of our young players have benefitted from our policy of putting them on loan to get first team experience. Over the past year Connor Hazard, Ross Doohan, Jamie McCart, Joe Thomson, Mark Hill, Regan Hendry, Jamie Lindsay and Anthony Ralston have all been placed out on loan. They have all benefited from playing regular senior football throughout the season, gaining invaluable experience from playing with and against experienced professionals, playing in front of crowds they wouldn't experience with the Development Squad, as well as contributing to the success of other teams within the Scottish game.

As a result of having several players out on loan, opportunities have arisen to give experience to some of the younger players in the Development Squad. As well as playing in domestic football, against more advanced players, these young players were given the opportunity to play against Anderlecht, Paris Saint Germain and Bayern Munich in the UEFA Youth League as well as Manchester United, Swansea City and Athletic Bilbao in the English Premier International Cup. This has been a tremendous experience, competing against various styles of play, and measuring their own development against some of the best young players in Europe. Our younger players, from ages 8-17 also benefitted from playing against top European clubs in the various tournaments we competed in, at all age groups, including teams from Holland, Belgium, Poland, Spain and Germany.

# Celtic plc

## STRATEGIC REPORT

We also continue to evolve our partnership with St Ninian's High School, Kirkintilloch, modifying it each year to ensure we maximise our young player's development, both at an academic level and on the pitch. We appreciate the hard work and commitment of the dedicated staff at the school, without whom this would never have been possible. Last year one of our young players was Head Boy at St Ninian's, something we are very proud of, as it demonstrates the integration of our young players within the education system. As with previous years we have a number of our full time players, returning to St Ninian's to gain additional qualifications. "The Manager's initiative", where our young players have been learning about nutrition and food preparation skills, has been a great success and is now an integral part of our programme.

Celtic F.C. Development Fund Limited continues to provide fantastic financial support, with the Academy being the beneficiary of a 6% year on year increase in donations generated through the Paradise Windfall and Celtic Pools which totalled over £1m. This performance underpins the Celtic pools operation as the best in British football and helps ensure the Academy continues to flourish.

### **CELTIC SOCCER ACADEMY**

The Celtic global footprint continues to expand through the work of the Celtic Soccer Academy, which provides our many U.K. and International partners an unrivalled programme of football development.

The aim of the Celtic Soccer Academy is to maximize the potential of clubs around the world by giving them access to the most comprehensive programme of player and coach education in the world. This wide-ranging programme has again expanded this year solidifying its position as a leader in developing clubs around the world. Currently the Celtic Soccer Academy operates as one of the biggest club partnership programmes in world football working extensively throughout Europe, Asia, Oceania and North America sharing a high quality football programme and promoting a style of football in the traditional "Celtic way".

Highlights this season include innovations such as the publishing of the Celtic Soccer Academy Coaching Curriculum that boasts over 300 coaching drills structured to help partners develop their players long after the Celtic coaching staff have gone. To reinforce this, an interactive coaching show providing insight into the Celtic Academy has been created, with help from the team at Celtic TV, which is provided monthly to all of our partners. On a similar coach education theme, each year, partner clubs from all over the globe are invited to spend 4 days with our Academy to get a behind the scenes understanding of what it takes to develop a player at Celtic. A highlight of this was First Team Manager Brendan Rodgers participating in a question and answer session, providing participants invaluable insight into the Club.

The season culminated in the world series of Elite Player training camps now held in New York, Florida, Oklahoma, Boston, Chicago, Brisbane and Dublin with top talent nominated by the partner clubs to experienced three intensive days living and breathing the life of a Celtic Academy player.

With continued success year on year, we would like to thank all of our partners who have taken part in our journey. The focus for the season ahead will again be to continue to expand and add value into this world-class programme ensuring Celtic remains the number one leader in developing clubs around the world.

### **CELTIC PARK EVENTS**

Celtic Park Events has had another hugely successful year with stadium tours continuing to perform well, with visitor numbers showing an increase year on year resulting in a significant number of international and home coming visitors sharing the enjoyment of the Celtic story. The Number 7 Restaurant, and our Sunday lunch offering in particular, continues to attract a strong family attendance, with many taking up the option of an exclusive tour and dine package. Our other non-match day events packages, especially during the festive period, have also been very popular, leading to continued growth and interest.

Our 'Player of the Year' annual event held in the Double Tree Hotel was another success with 850 persons in attendance on the night to help celebrate another successful season with the players and management.

# Celtic plc

## STRATEGIC REPORT

### **MATCH TICKET SALES**

Season 2017/18 saw standard season ticket sales of over 49,800.

The Club continue to offer the popular concession season ticket prices of £50 for kids (Under 13), £105 for 13-16 year olds and £219 for 17-18 year olds for Season 2018/19.

With the Clubs continued success, standard season tickets for season 18/19 sold out in early June with again over 49,800 standard season tickets sold.

In addition, our hospitality offerings continued their success from the previous season with over 400 corporate and over 1,900 premium seasonal packages sold.

### **STADIUM OPERATIONS**

Over the course of the financial year, there have been significant developments within Stadium Operations. On 28th September 2017, the Club announced that Planning Permission in Principle had been granted in relation to recent development proposals to create a new hotel, retail store, ticketing facility and museum as part of the Celtic Park Masterplan. These potential developments remain at a preliminary stage.

During season 2017/18, we hosted 31 first team matches as well as the Scott Brown testimonial match and a number of 'Play on the Pitch' events including sponsors/commercial games and football aid.

This year saw a significant focus on upgrading aspects of the stadium to ensure we provide a high quality environment for the supporters and enhance the matchday entertainment experience.

We have installed a new hybrid pitch solution which has resulted in a high quality playing surface. Due to the time constraints in the short close season, these works were completed over two close season periods.

In March 2018, we completed the 'Hostile Vehicle Mitigation' project at the stadium, which included the installation of enhanced pedestrian protection measures. The installation of the new Philips LED floodlights and entertainment lights began after the last game of the 17/18 season and was finalised in the early part of season 18/19. The replacement of the cladding and steelwork on the South East and South West gable ends started in June 2018 as did works to replace the South Stand roof panels. Additionally, the Club has finished the phased upgrade of the stadium bowl speakers for the remaining South, East and West stands.

### **(ii) MERCHANDISING**

The Club's continued relationship with New Balance saw the release of three successful kits in in the financial year, all of which surpassed expectations. In addition, the New Balance training range again performed well reflecting the strong design element of the products.

A wide range of "Invincibles" products, including a 3 disc DVD were introduced to celebrate the 2016/17 season's historic success which were well received by supporters and contributed to our merchandising success.

The 18-month long project to bring our E-Commerce operation back in-house has been completed as of June 2018. This represented significant investment in the fastest growing area of the Retail operation. The online store had been outsourced to a third party provider since 2005 and the new operation has created 10 jobs in Glasgow. Online sales of the 2018/19 away kit, released at the start of July 2018, was fulfilled entirely by the new E-Commerce team at Celtic Park, with all orders picked, packed and dispatched from the stadium. We will continue to invest in this area to ensure better synergy across our traditional 'bricks and mortar' and online Retail outlets.

Additionally, a temporary store was opened in Livingston in November 2017; continuing our strategy of maximising short-term lets.

The fans' support in buying direct from the Club is critical in allowing us to reinvest all profits back into the Club. This has been an outstanding year for merchandising which continues to support our ongoing first team investment.

# Celtic plc

## STRATEGIC REPORT

### (iii) MULTIMEDIA AND OTHER COMMERCIAL ACTIVITIES

#### **PARTNER PROGRAMME**

The continued football success in season 2017/18 helped develop a significant platform for our commercial partners to capitalise on as we welcomed new commercial partners and grew relationships with existing ones.

The Club entered the second season of four-year agreements with our main Club sponsor, Dafabet, and our back of shirt and official training kit sponsor, Magners. The value we have delivered to our sponsors was highlighted during our participation in the UEFA Champions' League group stages with Dafabet being the only betting brand to appear in the competition.

New Balance continued as technical kit partner, and we thank them for an exceptional partnership, while Intelligent Car Leasing extended their agreement and will continue as Celtic's car supplier for a further two years. Long-standing relationships with Ladbrokes, Eden Mill, Coca-Cola and Powerade is a testament to the value delivered by Celtic and our partners.

The Club continued to grow commercial relationships through a product segmentation strategy securing new agreements with Official Online Casino Partner Mr Green, Official Website Partner BT Sport and Official Travel Partner Nirvana in addition to developing further strategic supplier relationships with Primal Strength, Sports in Science and Pol Roger.

The Club continues to develop its commercial presence with a focus on securing commercial partners to successfully monetise our brand as the Club continues to expand our partner programme and commercial revenue streams. Pleasingly, Dafabet, Magners, Intelligent Car Leasing and Eden Mill continued to show commitment to supporting the charitable roots of the Club by supporting Celtic FC Foundation initiatives.

#### **CELTIC TV**

Celtic TV has continued to grow at pace and we have had our largest audiences ever. There has been a huge increase in retention, and renewed focus on improving the match-day coverage with over seventy matches broadcast live.

We have also continued our focus on digital transformation and audience growth this year, continuing to increase our audience on all of our digital platforms. Additional achievements from the department included the publication of the First Team Manager's book 'Brendan Rodgers- The Road to Paradise', the hugely successful 'An Evening with Brendan Rodgers' events and the Double Treble Winners celebrations, culminating in the open top bus parade which was a Club first.

In addition, our Christmas campaign and advert 'Be Joyful and Triumphant' once again received critical acclaim from the newspapers, was a viral hit on social media and featured on the BBC news.

#### **SUPPORTER RELATIONS**

During the season, the Supporters Liaison Officer (SLO) has met with all of the recognised supporters groups on a regular basis and has represented the Club and our fans at all matches. This has included attendance at all domestic and European matches assisting supporters on a variety of issues such as transport, tickets, stadium access and consular advice. The SLO was available at all UCL Qualifying matches as well as Group Stage games attending pre match operational planning meetings and working with all stakeholders to ensure that fans needs were catered for in Brussels, Munich and Paris. The SLO subsequently attended planning meetings in St Petersburg working closely with police to ensure that there were sufficient transport links available for fans who made the journey to Russia. The SLO along with the Clubs Disability Access Officer meets regularly with Celtic Disabled Supporters Association and attends all domestic matches during the season home and away in order to provide as much information and assistance as possible for all fans travelling to support the team.

The SLO has been instrumental in the operation of the Fan Forum. During the year, three Forum meetings have taken place covering a variety of subjects including season tickets, ticket allocations, parking restrictions, improvements for disabled supporters, stadium developments as well as future plans for Celtic Park. The issues raised have been communicated to the Board and acted upon where appropriate. Each meeting of the Forum has been well attended and it has developed well as a channel of communication between the Club and the supporters.

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## STRATEGIC REPORT

Our SLO was once again invited as Scotland's representative to attend the UEFA backed SLO network conference in Rotterdam where many of the SLO's in European Football meet to discuss how the role can be improved and expanded upon. The SLO engages regularly with other clubs, Supporters Direct Europe and Supporters Direct Scotland to offer ideas and suggestions aimed at improving the overall football fan experience at home and abroad. The SLO represented the Club at the FIFA World's Best Awards in October where the Club's supporters were awarded the Best Fans in the World award.

### OUR PEOPLE

The Club reviewed its salary rates in January 2018 and as at 1 July 2018 all permanent members of staff are paid a minimum rate of at least £8.75 per hour, which is at the same level as the Living Wage currently recommended by the Living Wage Foundation.

Celtic remains the only professional football club in Scotland to hold the prestigious Investors in People award, having first been accredited in 2007. The Club was re-assessed in March 2017 and continue to be recognised at the Silver level of award. This demonstrates the continued commitment shown by the Club to invest in its people, and while we are proud of this achievement we continue to strive for further improvement. This will be done through the continued review and consideration of the recommendations made following our re-assessment, with the aim of ensuring employee voices are heard and acted upon.

In line with new Gender Pay Gap legislation, Group subsidiary and main trading entity Celtic F.C. Limited, reported its Gender Pay Gap figures for the first time in April 2018. This report is available on the Club's website and also reported on the government website <https://gender-pay-gap.service.gov.uk>.

Safeguarding continues to be high on the Club's agenda. 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.

In October 2016, the SFA issued a number of directives to improve the consistency of safeguarding children across Scottish Football. The Club has adopted and implemented the following guidance including:

1. Policy Statements
2. Code of conduct for safeguarding children's wellbeing
3. Anti-bullying guidelines
4. Procedure for responding to concerns about a child
5. Procedure for responding to concerns about the conduct of an adult
6. Procedure for reviewing the management of concerns
7. Safeguards: best practice guidelines

The Club also places great importance on health and safety within the workplace. The Club's 'Health & Safety Steering Group' meets regularly throughout the year and we have continued to ensure that staff training receives top priority in this area.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group and those that the Board considers to be 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 or 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.

# Celtic plc

## STRATEGIC REPORT

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 the player 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 affect 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.

(iii) *Match day attendances*

Substantial income is derived from match day ticket sales and the provision of various products and services on match days, including programmes, merchandising, hospitality and catering. Donations from Celtic F.C. Development Fund 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 ("SPFL") 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 the UCL or UEL, 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 UK domestic television market. The revenue available is dependent on participation and therefore determined on the basis of football results, which cannot be guaranteed.

# Celtic plc

## STRATEGIC REPORT

### (v) *Financial Risk*

At 30 June 2018, the Group had access to a debt facility of £12.1m provided by The Co-operative Bank plc. This was re-negotiated in August 2018 and further details can be found in note 32. The composition and utilisation of the debt at 30 June 2018 is outlined at Notes 24 and 31 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.

These risks are managed through regular reforecasting, an assessment of key economic and market indicators and customer risk diligence. Further information is provided in Note 31 to the Financial Statements as to how the Group addresses these risks.

### (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. These continue to be closely monitored on an ongoing basis. Given the uncertainty as to how the "Brexit" negotiations will be concluded, it is still not possible to be definitive on the key area of currency risk and EU and non EU employee status. However, we are encouraged by the UK Government's commentary regarding facilitating the process for EU citizens to stay in the UK post Brexit. This will limit the risk of losing key personnel.

### (vii) *Stadium safety certificate*

Each year the Group is required to have the Celtic Park Safety Certificate renewed by the Safety Advisory Group of Glasgow City Council. Failure to achieve this could result in part or all of the stadium being closed. Should this ever occur it would inhibit our ability to host home matches without putting alternative arrangements in place.

The process for ensuring we are fully compliant on all aspects of health and safety is both continually ongoing and taken extremely seriously. Our dedicated facilities management team implement a rolling preventative and reactive stadium maintenance plan and our stadium security team along with the relevant authorities implement and continue to evolve a stadium security strategy to ensure spectator safety. This topic also features as a standing item at our regular risk review meetings and at Board meetings.

Each of the headings mentioned is influenced significantly by factors beyond the control of the Group. The failure to obtain our safety certificate, substantial increases in transfer fees or player wages, or a 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 2018 reflect the significant impact of participating in the group stage of the UCL as well as the benefit of successful player trading.

	2018	2017
	£m	£m
<b>Revenue</b>	<b>101.6</b>	<b>90.6</b>
Operating Expenses	(87.1)	(76.3)
Exceptional Operating Expenses	(4.1)	(1.5)
Net Player Trading	7.7	(5.3)
Net Financing charges	(0.8)	(0.6)
<b>Profit before tax</b>	<b>17.3</b>	<b>6.9</b>

The Group's reported profit of £17.3m, including gains on the sale of player registrations, in comparison to the reported profit of £6.9m for the prior year, demonstrates the financial benefit of participating in the group stage of the UCL and operating a successful player trading strategy.

The UCL group stage participation is subject to a difficult qualification route and our domestic environment remains financially challenging. As a result, this reiterates the need for maintaining tight cost control and own player development leading to both future gains from the sale of player registrations, and an ability to originate first team players from our Academy.

### REVENUE

A summary of revenue per business segment is set out in Note 4 to the Financial Statements.

	2018	2017
	£m	£m
Football & Stadium Operations	43.6	37.6
Merchandise	17.7	16.4
Multimedia & Other Commercial Activities	40.3	36.6
<b>Group Revenue</b>	<b>101.6</b>	<b>90.6</b>

Revenue from football and stadium operations increased by £6.0m, 16.0%, principally as a result of higher season ticket sales and increased match day ticket revenues generated through participation in the UCL group stage and the UEL Round of 32 as well as having an additional home domestic cup game in the period.

Merchandising reported an increase in turnover of £1.3m, 7.9%, to £17.7m. During the financial year, we launched 3 new kits, including the new 2018/19 home kit, which was highly successful and exceeded expectations. We also continue to see strong growth in revenues generated from our online platform, an operation which we moved from outsourcing to being fully managed in-house during June 2018. Retail performed strongly despite the broader retail market continuing to be very challenging.

Multimedia and other commercial activities revenue saw an increase of £3.7m, 10.1% to £40.3m which was largely attributable to increased UEFA distributions, including those received for participation in the UEL Round of 32, and higher Celtic TV subscriptions.

# Celtic plc

## STRATEGIC REPORT

### OPERATING EXPENSES

	2018	2017
	£m	£m
Labour	(59.3)	(52.2)
Other Operating Expenses	(27.8)	(24.1)
<b>Operating Expenses</b>	<b>(87.1)</b>	<b>(76.3)</b>

Total operating expenses (before exceptional operating expenses and asset transactions) have increased over the last year by £10.8m, 14.1%, to £87.1m, predominately due to an increase in football labour and other operating expenses associated with increased revenues and participation in UEFA competitions.

Total labour costs increased by £7.1m, 13.6%, to £59.3m, largely due to increased football related labour costs compared to the previous year.

Wage inflation continues to be an area of concern throughout the worldwide football industry. The Board recognises the need to maintain strict control over wage costs and this will continue to be closely monitored. On-going financial controls remain in place to ensure that labour costs are maintained at a manageable level, particularly in relation to revenues.

### EXCEPTIONAL OPERATING EXPENSES

Exceptional operating expenses of £4.1m (2017: £1.5m) represent an impairment charge relating to player trading balances of £0.5m (2017: £0.3m) together with non-standard employee related costs of £3.6m (2017: £1.3m). These events are deemed to be unusual in relation to what management consider to be normal operating conditions.

### NET PLAYER TRADING

	2018	2017
	£m	£m
Amortisation of player registrations	(8.8)	(7.5)
Gain on sale of player registrations	16.5	2.3
<b>Net Player Trading</b>	<b>7.7</b>	<b>(5.2)</b>

Total amortisation costs at £8.8m represent an increase of £1.3m, 17.3%, in comparison to the previous year. This is due to the additional amortisation costs incurred as a result of the investment in the first team squad.

The gain on sale of £16.5m (2017: £2.3m) primarily reflects gains achieved in the sale of Stuart Armstrong to Southampton in June 2018 and the sell on fee recognised from Virgil Van Dijk's move from Southampton to Liverpool in the January 2018 transfer window.

### FINANCE INCOME & COSTS

Total net finance costs for the year of £0.8m (2017: £0.6m) primarily reflect interest due on the Company's borrowing facilities with The Co-operative Bank PLC together with the classification of Preference Share dividends as interest in accordance with the requirements of IFRS. It also includes notional interest charges and income relating to long term player trading receivables and payables, as required under IFRS reporting. The increase in net cost from 2017 is primarily a result of higher notional interest charges relating to player trading.

### TAXATION PROVISION

The corporation tax charge for the year ended 30 June 2018 is £1.85m (2017: £nil). Tax losses brought forward from 2017 of £7.6m have been fully utilised in the current year. An available capital allowance pool of £10.5m (2017: £9.5m) will be carried forward for use in future years.

### PROPERTY, PLANT AND EQUIPMENT

The additions to property, plant and equipment in the period of £3.9m (2017: £2.9m) are represented mainly by the completion of the hybrid pitch at Celtic Park, the initial phase of the LED floodlights, replacement of the South Stand roof and East and West stand gable ends, the hostile vehicle mitigation works and the in-house E-Commerce project.

# Celtic plc

## STRATEGIC REPORT

### INTANGIBLE ASSETS

The increase in the net book value of intangibles during the year to 30 June 2018 of £7.0m to £21.0m reflects the investment in football personnel of £16.6m (2017: £13.8m) less the amortisation charge of £8.8m (2017: £7.5m), the impairment charge of £0.2m (2017: £0.3m), and the net book value of disposals of £0.4m (2017: £1.9m). The investment in football personnel is largely represented by the costs associated with the permanent acquisitions of Olivier Ntcham, Odsonne Edouard, Jack Hendry, Lewis Morgan and Kundai Benyu and additional contingent transfer fees becoming due to clubs as a result of qualifying for the UCL group stages.

There were several departures in the 2017 summer transfer window including Saidy Janko, Gary Mackay Steven and Emilio Izaguirre, who has since returned to the Club in August 2018.

### INVENTORIES

The level of stockholding at 30 June 2018 of £2.4m compares to £2.4m reported last year.

### RECEIVABLES

The increase in total receivables from £12.3m in 2017 to £25.7m in the current year is primarily attributable to the amounts due for the transfer of Stuart Armstrong and 2 instalments in relation to the sell on fee recognised from Virgil Van Dijk's move from Southampton to Liverpool. As at June 2018, there was £16.1m outstanding in respect of player transfer fees payable in comparison to £5.7m in the prior year.

### NON CURRENT LIABILITIES

The increase in non-current liabilities from 30 June 2017 of £4.9m to £23.2m is the result of higher player transfer fees and other payables.

### CURRENT LIABILITIES

The increase in current liabilities of £20m in the year to £53.8m largely reflects increases in amounts due on player transfers, higher deferred income and higher taxes payable.

Deferred income less than one year of £24.0m compares to the £22.4m reported last year and reflects the cash received predominantly in relation to 2018/19 season tickets, prior to 30 June 2018 in respect of the financial year ended 30 June 2019.

### NET ASSETS AND FUNDING

Under IFRS reporting, elements of the preference shares are required to be classified as debt and non-equity dividends to be classified as interest.

Net cash at bank is £36.1m (2017: £17.9m) and includes all cash at bank and in hand offset by bank borrowings. The movement from 30 June 2017 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.

Although cash net of bank debt is £36.1m (2017: £17.9m), after adjusting for other debt like items, namely the net player trading balance, other loans and deferred employee remuneration balances, the net cash position reduces to £27.0m (2017: £13.4m).

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, 25, 26 and 31 to the Financial Statements.

# Celtic plc

## STRATEGIC REPORT

### **BANK FACILITIES**

As noted in Note 32, a re-negotiated lending facility with the Co-operative Bank PLC was introduced in August 2018.

However, the banking facilities of the Group and Company for the year end 30 June 2018 are described in Notes 24 and 31.

The lending agreement with The Co-operative Bank PLC as at 30 June 2018 had a combined borrowing facility of £12.1m (2017: £12.3m), which consisted of a £5.65m (2017: £5.65m) revolving credit facility and a £6.45m (2017: £6.65m) long-term loan.

The revolving credit facility bore interest at base rate plus 1.5% and is available until July 2019.

The long-term loans bore interest at London Inter-Bank Offered Rate plus 1.5%. The loans were floating rate loans and therefore expose the Group to cash flow risk. The loan facilities were repayable in equal quarterly instalments of £0.1m from the commencement date until full repayment of £6.25m in July 2019. The Group had the option to repay the loans earlier than these dates without penalty.

The borrowing facility in place during the year was secured over Celtic Park, land adjoining the stadium and at Westhorn and Lennoxton. This continues to be the case for the renegotiated facility.

### **CURRENT TRADING AND OUTLOOK**

Progress in the major football competitions, particularly in Europe, continues to be a key influence in trading performance. Season 2017/18 was a hugely successful year for Celtic incorporating our qualification for the group stages of the UCL and progression into the UEL Round of 32. We retained the Scottish Premiership title for the seventh consecutive season and completed a historic "Double Treble". However, our domestic trading environment remains financially challenging and the reported profit for the year to 30 June 2018 of £15.4m demonstrates the financial impact of UCL group stage qualification and successful player trading. Cash flow management has delivered a year-end net cash at bank of £36.1m, an increase from the £17.9m reported last year. This provides a platform for further progress and investment and to mitigate the impact of not qualifying for the UCL group stages as is the case for season 2018/19, where we will instead participate in the less lucrative UEL.

The football environment in Scotland remains financially challenging. 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 in the year to date are in line with expectations, with a greater emphasis on e-commerce 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.

We continue to drive revenues and develop the Celtic brand at home and abroad which, together with the on-going management of costs and effective financial controls, should maintain a sustainable financial model. The discipline of good financial management will continue and we will operate from a 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.

Player trading continues to be a key part of our business model and 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 UEFA Champions League. This strategy has been successful to date.

During the summer 2018 transfer window a number of new players were acquired and we also qualified for the UEL group stage competition and were drawn in a group with matches against RB Salzburg, RB Leipzig and Rosenborg BK.

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.

# Celtic plc

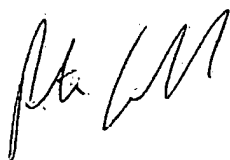
## STRATEGIC REPORT

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

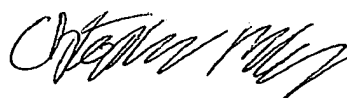
The development of a greater number of internally generated players through continued investment in youth development will assist in addressing such issues.

We look forward with optimism to the season ahead given our financial platform and the quality of our playing squad.

### APPROVED ON BEHALF OF THE BOARD



**Peter Lawwell, Chief Executive**  
19 September 2018



**Christopher McKay, Financial Director**  
19 September 2018

# Celtic plc

## DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group together with the financial statements and auditor's report, for the year ended 30 June 2018.

### **DIVIDENDS**

Dividends of £0.5m were paid in cash on 31 August 2018 to those Preference Shareholders not participating in the scrip dividend reinvestment scheme. The record date for the purpose of the Preference Share dividend was 27 July 2018.

Mandates representing 1,837,278 Preference Shares are in place for the scrip dividend reinvestment scheme. Approximately £66,142 (2017: £62,363) of dividends for the financial year to 30 June 2018 will be reinvested. 50,615 new Ordinary Shares were issued under the scheme at the beginning of September 2018.

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 after tax of £15.4m has been taken to reserves.

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

The Strategic Report sets out the Business Review (page 6) and Current Trading and Outlook (page 18). As the Company and its principal subsidiary are managed and controlled as a single entity, the business review and future developments reflect the performance of the Group.

### **EVENTS AFTER THE BALANCE SHEET DATE**

Details of significant events since the balance sheet date are contained in Note 32 to the financial statements.

### **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 31 to the Financial Statements.

### **CORPORATE GOVERNANCE**

Details of the Group's Corporate Governance can be found on page 25.

# Celtic plc

## DIRECTORS' REPORT

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

The Directors serving throughout the year and at 30 June 2018 and their interests, including those of connected persons, in the share capital of the Company were as follows:

Name	30 June 2018			1 July 2017		
	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	-
S Brown	-	-	-	-	-	-
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	-
C McKay	-	-	-	-	-	-
B Wilson	-	3,000	500	-	3,000	500

No changes in Directors' shareholdings between 30 June 2018 and 17 September 2018 have been reported to the Company.

Details of agreements that 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 2018 are as follows:

**Thomas E. Allison** (70) 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** (66) 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** (68) has been a non-executive Director of the Company since May 1995. He is the Chairman and founder of International Investment and Underwriting UC, 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 plc). 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** (59), 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 Board of the European Club Association and the Club Competition Committee and Professional Football Strategy Council of UEFA.

**Christopher McKay** (43) 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 corporate financial advisory experience in many industries across the UK and International Markets.

# Celtic plc

## DIRECTORS' REPORT

**Brian Wilson** (69) 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. He is a Trade Ambassador for the UK Government and a visiting professor at the University of Strathclyde.

**Sharon Brown** (49) has been a non-executive Director of the Company since December 2016 and was appointed Chairman of the Audit Committee with effect from 1 July 2017. Sharon is currently a non-executive director at Fidelity Special Values plc, F&C Capital & Income Investment Trust plc, McColl's Retail Group plc and a number of other private limited companies in the retail sector. Between 1998 and 2013, Sharon was Finance Director and Company Secretary of Dobbies Garden Centres Limited and between 1991 and 1998, she held a senior financial position within the retail division of John Menzies plc.

### 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

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

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

A statement as to the Board's view of the independence of Tom Allison, Dermot Desmond and Brian Wilson is set out at page 26 of this Report.

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

The Articles of Association of the Company require that each director stand for re-election at least every three years and that at least one third of the Board stand for re-election each year. These requirements are also satisfied by Tom Allison, Dermot Desmond and Brian Wilson retiring and standing for re-election.

During the year the Company maintained directors and officers liability insurance.

### SUBSTANTIAL INTERESTS

In addition to the Directors' interests set out above, the Company has been notified or is aware of the following interests of over 3% in its issued Ordinary Share capital as at 17 September 2018:

Registered Holder	Ordinary Shares of 1p each	Percentage of Issued Ordinary Share capital
The Bank of New York (Nominees) Limited	17,518,061	18.67%
Christopher D Trainer	9,796,784	10.44%
James Mark Keane	5,909,847	6.30%

# Celtic plc

## DIRECTORS' REPORT

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 17 September 2018:

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	12.40%
Hanom 1 Limited	625,000	4.84%
The Bank of New York (Nominees) Limited	500,900	3.88%

### DONATIONS

The Group made direct charitable donations of £13,050 (2017: £22,680), which in both years was represented by the costs of hosting the Celtic FC Foundation annual dinner and Christmas appeal.

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. The Department for Work and Pensions has recognised the Club as a "Disability Confident" employer. Investors In People status continues, following the Club's re-accreditation in 2017, which resulted in the Club securing a Silver award for the first time and the Club's Youth Academy retaining its Gold award for the Investors in Young People accreditation. Good practice in relation to pregnant employees has also been commended through our accreditation received from the "Tommy's Pregnancy at work scheme."

#### *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.

The Club's policies on Ethical trading and Modern Slavery & Human Trafficking can be found on the Club's website.

# Celtic plc

## DIRECTORS' REPORT

### 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 themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### AUDITOR

At the Annual General Meeting on 15 November 2017, 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 31 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 adequate financial resources available to it, together with established contracts with a number of customers and suppliers. Additionally, a detailed budgeting process is undertaken each year which looks ahead 4 years from the current financial year, and is reviewed and approved by the Board. 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 2018

# Celtic plc

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE

The Company's three 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.

Accordingly, the Directors view corporate governance not just as a perfunctory exercise to serve bureaucratic expediency, 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.

As part of their commitment to high standards of corporate governance, during the financial year under consideration the Directors continued to base their approach to corporate governance on fundamental principles set out in the UK Corporate Governance Code 2016 (the "Code") and apply applied these in a manner appropriate for a company of the size and stature of Celtic. However, the Company has not complied in full with all aspects of the Code and does not claim compliance with the Code or report on a "comply or explain" basis.

In a change to the corporate governance regime applicable to Celtic, from 28th September 2018 all AIM companies, including Celtic, will be required to apply a recognised corporate governance code in full and report on their compliance with the relevant code adopted.

Until now, AIM companies have had the choice of either noting on their website which corporate governance code they followed, or merely stating they did not follow a code and setting out their own arrangements. Celtic has historically complied with the UK Corporate Governance Code as far as applicable to a company of Celtic's size and stature. The new rules mean that this second option is no longer available to the Company.

Therefore, with the advent of the new compliance and reporting regime during the coming financial year, the Directors resolved in May 2018 to adopt the QCA Corporate Governance Code (the "QCA Code") as the relevant corporate governance code for the Company. This is consistent with the practice of other similarly sized AIM companies and the QCA Code provides a robust framework which will ensure the Company's high standards of corporate governance are maintained.

A new version of the QCA Code was published in April 2018 and contains ten core corporate governance principles and step-by-step guidance on how to effectively apply the principles within a company. From 28 September 2018, the Company's website will contain detailed information on how the Company complies with the QCA Code.

### Board of Directors

As at 30 June 2018, 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 and Brian Wilson.

The Board provides leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board set the company's strategic aims, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and review management performance.

All Directors must act in what they consider to be the best interests of the Company, consistent with their statutory duties. To this end, 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 Group'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.

# Celtic plc

## CORPORATE GOVERNANCE

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 Group'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.

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.

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 any Company share option schemes, ELTIP, LTPIP or bonus schemes. 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**

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

# Celtic plc

## CORPORATE GOVERNANCE

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.

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***

Sharon Brown, Dermot Desmond and Brian Wilson served on the Committee during the year. Sharon Brown chaired the Committee during the year.

The external auditor, Company Secretary, Financial Director, internal auditor and other members of the finance 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 the 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 a separate second 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 on pages 30 to 33.

# Celtic plc

## CORPORATE GOVERNANCE

### ***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 twice during the financial year.

### **INVESTOR COMMUNICATION**

Match day and other events 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.

### ***Supporters' Forum***

Following a resolution approved at the 2016 AGM, the Company was delighted to establish a Supporters' Forum. This is a consultative body with a remit to jointly discuss matters of importance and interest to the Celtic support regarding the Company in an open and transparent environment, taking into account at all times all legal and regulatory requirements and duties of confidentiality to which the Company and its directors are bound. The Forum comprises representatives of the Company and the Celtic support, including delegates from the recognised Celtic supporter organisations. The Forum meets on at least three occasions in the course of the football season, such dates being set at the beginning of each season after fixtures have been settled.

Meetings took place in October 2017, February and April 2018, with three meetings to be arranged during the 2018/19 season. The proceedings of the Forum are considered by the Board with appropriate action taken. A report was made following the formal business of the 2017 AGM and is proposed to be made again in 2018.

### **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.

# Celtic plc

## CORPORATE GOVERNANCE

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 Code.

**BY ORDER OF THE BOARD**



**Michael Nicholson, Secretary**  
**19 September 2018**

# Celtic plc

## REMUNERATION REPORT

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

### **The Remuneration Committee**

The Committee has formal terms of reference, which are published on the Company's website. The Committee members serving during the year are identified on page 27.

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

### **Remuneration Policy**

The main objective of the Company's remuneration policy remains to attract, retain and motivate experienced and capable individuals who will make a significant contribution to the long term success of the Group whilst taking account of the marketplace. 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 seeks guidance 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 33 in note 9.

There are several main elements to the Company's executive remuneration packages: basic salary and benefits, annual performance related bonus, long term incentive plans, pension contributions and other customary benefits such as holidays, a fully expensed car or equivalent non-pensionable car allowance, private medical insurance, and critical illness cover. During the prior year long term incentive plans were introduced for certain Directors and senior executives, as noted below.

#### ***Basic salary and benefits***

The Committee reviews basic salaries for executive Directors and certain senior executives annually. The salaries of senior members of the football management team and senior players are considered directly by the Board.

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

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

# Celtic plc

## REMUNERATION REPORT

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

The Group operates a bonus scheme for participating executive Directors and some permanent employees. 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 50% 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.

### ***Long Term Performance Incentive Plan ("LTPIP")***

Given the importance of the Chief Executive to the consistent and successful performance of the Company, the Board determined that the Chief Executive shall participate in a Long Term Performance Incentive Plan ("LTPIP"), the purpose of which is to link the performance of the Chief Executive to performance targets which have the objective of improving Company performance, the football performance of Celtic FC and generating shareholder value.

The criteria for the LTPIP to become payable as determined by the Board is that Celtic FC qualifies for and participates in the group stages of the UCL in the applicable financial year. In order to receive payment the participant must be employed by the Company at 31 December 2018. Awards under this arrangement accrue in each applicable financial period and are paid at the first appropriate date following 31 December 2018.

### ***Executive Long Term Incentive Plan ("ELTIP")***

An ELTIP was adopted and approved by the Board and was introduced with effect from 1 July 2016 with the objective of retaining and rewarding, through financial incentives, key executives within the Group over the medium to long term.

Under the terms of the ELTIP, in return for these individuals remaining with the Group for a minimum of 4 years up to 30 June 2020, and during that period the Group achieving performance criteria determined by the Board ("vesting criteria"), annual awards are made. These awards accrue in each applicable financial period and are paid at the end of the 4 year period. The vesting criteria determined by the Board are: (i) that the participant is employed by the Group on 30 June in the applicable financial year and at the end of the 4 year period; and, separately, (ii) that Celtic FC qualifies for and participates in the group stages of the UCL in the applicable financial year. Both conditions are exclusive of one another and attract fixed values of award on crystallisation.

The ELTIP applies to the financial years from 2016/17 to 2019/20. The vesting criteria have been selected because the Board believes that they are consistent with the medium to longer term strategic objectives of the Group, taking account of the rolling 5 year business plan and the nature of the Group's business.

# Celtic plc

## REMUNERATION REPORT

### 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. With effect from 1 July 2016, Mr Lawwell was entitled to a bonus not exceeding 20% of basic salary, determined by the Board having regard to applicable performance criteria and such other factors and/or circumstances as the Board shall consider relevant. Mr Lawwell is also a member of the LTPIP scheme as noted above. In respect of the LTPIP, the Remuneration Committee was satisfied that the awards set out in the table below have been accrued for the benefit of Mr. Lawwell during the financial year to 30 June 2018.

	LTIPI interest at 1 July 2017	Award for year ending 30 June 2018	Total LTIPI interest at 30 June 2018	Payment date
P Lawwell	£890,000	£1,406,000	£2,296,000	31 December 2018
	<b>£890,000</b>	<b>£1,406,000</b>	<b>£2,296,000</b>	

Mr Lawwell served on the Professional Game Board of the Scottish Football Association, the Board of the Scottish Football Association and the Board of the European Club Association. No fee is payable for these posts.

##### Financial Director

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.

Chris McKay participates in the ELTIP. The Remuneration Committee was satisfied that Mr McKay had satisfied each of the vesting criteria for the financial year to 30 June 2018. Accordingly, the awards set out in the table below have vested for the benefit of Mr. McKay, during the financial year to 30 June 2018. Payment remains subject to the operation of the ELTIP conditions.

	ELTIP interest at 1 July 2017	Award for year ending 30 June 2018	Total ELTIP interest at 30 June 2018	Qualifying period
C McKay	£50,000	£50,000	£100,000	4 financial years to 30 June 2020
	<b>£50,000</b>	<b>£50,000</b>	<b>£100,000</b>	

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 2018:

Ian Bankier	Third term	1 year 11 months remaining
Sharon Brown	First term	1 year 5 months remaining

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

# Celtic plc

## REMUNERATION REPORT

### Remuneration of Directors

Directors' remuneration and benefits for the year to 30 June 2018 are set out in the table below.

	Salary/ Fees	Bonus	Benefits in Kind	Pension Costs	2018 Total	2017 Total
	£	£	£	£	£	£
T Allison	25,000	-	-	-	25,000	25,000
I Bankier	80,000	-	-	-	80,000	50,000
D Desmond	25,000	-	-	-	25,000	25,000
P Lawwell <sup>1</sup>	1,150,000	-	17,729	-	1,167,729	1,167,411
C McKay <sup>2</sup>	147,248	64,421	12,450	22,087	246,206	234,467
S Brown <sup>3</sup>	30,000	-	-	360	30,360	14,126
I Livingston <sup>4</sup>	-	-	-	-	-	30,000
B Wilson	25,000	-	-	-	25,000	25,000
	1,482,248	64,421	30,179	22,447	1,599,295	1,571,004

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.

The post of Chair of the Audit Committee carries an additional fee of £5,000 per year, reflecting the significant additional responsibility and workload attached to that post.

The non-executive Directors have no personal financial interest other than as shareholders in some cases. They do not participate in any bonus scheme, long term incentive plan, 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 2018

<sup>1</sup> Mr Lawwell also participates in the LTPIP which is detailed above.

<sup>2</sup> Mr McKay also participates in the ELTIP which is detailed above.

<sup>3</sup> Mrs Brown was appointed on 9 December 2016

<sup>3</sup> Mr Livingston resigned on 30 June 2017

# 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping 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

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>FINANCIAL</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revenue	101,573	90,639	52,009	51,080	64,736
Profit / (loss) from trading before asset transactions and exceptional items	14,490	14,310	(5,240)	(2,188)	4,851
Profit / (loss) after taxation	15,423	6,897	459	(3,947)	11,170
Non equity dividends incurred	573	558	502	432	526
Total equity	72,934	57,423	50,470	49,951	53,831
Shares in issue (excl deferred) no. '000	122,606	122,468	122,350	122,147	121,603
Earnings / (loss) per ordinary share	16.47p	7.38p	0.49p	(4.25)p	12.68p
Diluted earnings / (loss) per share	11.72p	5.46p	0.49p	(4.25)p	8.91p
Number of employees	522	507	465	462	475
<b>FOOTBALL</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
League position	1	1	1	1	1
League points	82	106	86	92	99
Scottish cup	WINNERS	WINNERS	SEMI FINAL	SEMI FINAL	5 <sup>th</sup> ROUND
League cup	WINNERS	WINNERS	SEMI FINAL	WINNERS	3 <sup>rd</sup> ROUND
European ties played	7	6	6	7	6
<b>CELTIC PARK</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Celtic Park investment to date (£'000)	76,042	72,132	70,315	69,318	68,147
Stadium seating capacity (no.)	60,477	60,294	60,447	60,447	60,411
Average home league attendance (no.)	55,943	54,159	42,201	45,400	45,757
Total season ticket sales (no.)	52,229	48,723	39,309	40,472	43,072

# Celtic plc

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

### Opinion

We have audited the financial statements of Celtic plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

#### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2018 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk description	Our response to the risk
<b>Revenue recognition</b>  As detailed in note 3 (e), the group's revenue is generated from football and stadium operations, merchandising and multimedia and other commercial activities. Each revenue stream has	We reviewed the revenue accounting policies and practices for consistency of application as well as the basis of material recognition estimates.

# Celtic plc

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

<p>different characteristics and is derived from different, sometimes individual commercial contract terms. Some include areas of judgement such as when to recognise the right to revenue arising from participation in particular competitions or accounting adjustments such as the deferral of revenue for future season ticket sales.</p> <p>Given the nature and complexity of revenue and its importance to the activities of the business, it is of significant interest to the users of the financial statements. As a result, we consider revenue recognition to be a key audit matter. We considered there to be a significant risk arising in respect of the completeness of revenue in all revenue streams other than football operations, where we considered there to be a significant risk over the existence objective, due to the timing of season ticket sales around the year-end and the risk that the calculated deferred revenue may not be complete.</p>	<p>We individually tested the group's material revenue streams according to their characteristics to gain assurance over the completeness, existence and accuracy of reported revenue.</p> <p>We verified samples of revenue items to commercial contracts and confirmed that they were accounted for in accordance with the underlying contracted terms. In areas of variable consideration, we reviewed notifications of right to revenues and agreed samples of transactions from source documentation to the financial records and bank receipt.</p> <p>We performed procedures on all material revenue streams in the periods before and after the year end and vouched samples of revenue to originating documentation to gain assurance that transactions were recorded in the correct period. We tested the calculation of material accrued and deferred revenue amounts.</p>
<p><b>Intangible assets</b></p> <p>Intangible asset transactions comprise significant individual transactions, a number of which are material to the financial statements. Each transaction is underpinned by individual contract terms.</p> <p>Accounting for the acquisition of intangible assets requires consideration of individual contractual terms including deferred consideration arrangements, the rights of agents and the personnel involved. Judgement is required in deferred consideration calculations and in the calculation and recognition of the probable cost of the acquisition.</p> <p>Due to unforeseen events during the life of, intangible assets, individual assets may become impaired and the related contracts may become onerous in certain circumstances. These areas may require significant levels of judgement to determine whether there is an indicator of impairment of an intangible asset, to calculate such impairment or if a contract has become onerous. Accordingly this is an area where management override could occur. This leads to a higher risk profile.</p> <p>As with the acquisition of intangible assets, accounting for the disposal of intangible assets requires consideration of the specific contractual terms of the transaction, which may include</p>	<p>We considered the appropriateness of the intangible assets accounting policies and practices as well as the basis of any recognition estimates.</p> <p>We agreed a sample of additions to acquisition agreements with football clubs and to agent contracts. We reperformed calculations of discounted purchase agreement amounts. We reviewed amortisation rates applied to intangible assets and confirmed the amortisation charges were calculated in accordance with the stated policy.</p> <p>We reviewed intangible assets for indications of impairment and onerous contract positions by reviewing football personnel's involvement in the football squads, the presence of alternative squad personnel and post year end football transfer activity.</p> <p>We assessed the existence and accuracy of the impairment and onerous contract provisions calculated by management by verifying obligations to contracts and estimated future operating contributions to the data underlying management's assessment of value in use. We assessed the judgements and estimates applied in calculating the provisions, including management's assessment of market value by reference to transfer window interest; the individual asset and the discount rates applied. We reviewed a sample</p>

# Celtic plc

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

deferred consideration or future profit sharing arrangements.	of unimpaired intangible assets for evidence of their contribution to the business in order to assess the completeness of the provisions. We reviewed the adequacy of disclosures in respect of impairment charges and onerous contract provisions.  We verified disposals to supporting contract documentation and recalculated the profit or loss on disposal of intangible assets to gain assurance over the accurate treatment of disposal cut-off of receivables, costs payable and discounting adjustments.
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### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £600,000 (2017: £600,000). This was determined with reference to a benchmark of 1% of normalised revenue, which we consider to be the principal consideration in assessing the financial performance of the Group, because the Group considers revenue to be one of its key performance indicators. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we set a lower materiality level, performance materiality. Performance materiality for the group was set at £450,000 (2017 - £450,000).

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £18,000 (2017: £18,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### An overview of the scope of our audit

The Group manages its operations from a single location in the UK and has common financial systems, processes and controls covering all significant components. The audit of all significant components was performed by the same audit team.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant amounts in the financial statements, we determined that two components, Celtic plc and Celtic F.C. Limited, represented the principal business units within the Group. A full scope audit was undertaken on each component.

Whilst materiality for the financial statements as a whole was £600,000, each component was audited to a materiality of £570,000.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# Celtic plc

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Group and the parent company and their environments obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

- adequate accounting records have not been kept, 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.

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

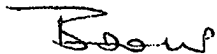
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Celtic plc

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

### Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Alastair Rae (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Glasgow

Date: 19 September 2018

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 2018

	Note	2018 £000	2017 £000
<b>CONTINUING OPERATIONS:</b>			
Revenue	4	101,573	90,639
Operating expenses (before intangible asset transactions and exceptional items)		(87,083)	(76,329)
<b>Profit from trading before intangible asset transactions and exceptional items</b>		<u>14,490</u>	<u>14,310</u>
Exceptional operating expenses	7	(4,141)	(1,526)
Amortisation of intangible assets	16	(8,768)	(7,546)
Profit on disposal of intangible assets		16,454	2,279
<b>Operating profit</b>	5	<u>18,035</u>	<u>7,517</u>
Finance income	11	216	204
Finance expense	11	(980)	(824)
<b>Profit before tax</b>		<u>17,271</u>	<u>6,897</u>
Income tax expense	12	(1,848)	-
<b>Profit and total comprehensive income for the year</b>		<u>15,423</u>	<u>6,897</u>
Basic earnings per Ordinary Share for the year	14	16.47p	7.38p
Diluted earnings per Share for the year	14	11.72p	5.46p

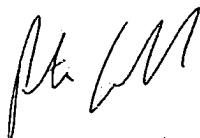
The notes on pages 47 to 80 form part of these financial statements.

# Celtic plc


Registered number: SC3847  
**CONSOLIDATED BALANCE SHEET**  
AS AT 30 JUNE 2018

	Notes	2018 £000	2017 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	58,265	56,332
Intangible assets	16	20,963	13,927
Trade receivables	20	4,397	-
		<u>83,625</u>	<u>70,259</u>
<b>Current assets</b>			
Inventories	18	2,407	2,414
Trade and other receivables	20	21,261	12,284
Cash and cash equivalents	21,31	42,563	24,505
		<u>66,231</u>	<u>39,203</u>
<b>Total assets</b>		<u>149,856</u>	<u>109,462</u>
<b>Equity</b>			
Issued share capital	22	27,132	27,107
Share premium	23	14,720	14,657
Other reserve	23	21,222	21,222
Accumulated profits/ (losses)	23	9,860	(5,563)
<b>Total equity</b>		<u>72,934</u>	<u>57,423</u>
<b>Non-current liabilities</b>			
Borrowings	24	6,250	6,450
Debt element of Convertible Cumulative Preference Shares	22	4,208	4,232
Trade and other payables	26	10,302	5,940
Provisions	27	2,309	1,543
Deferred income	28	86	115
		<u>23,155</u>	<u>18,280</u>
<b>Current liabilities</b>			
Trade and other payables	25	27,005	10,435
Borrowings	25	300	304
Provisions	27	2,442	658
Deferred income	28	24,020	22,362
		<u>53,767</u>	<u>33,759</u>
<b>Total liabilities</b>		<u>76,922</u>	<u>52,039</u>
<b>Total equity and liabilities</b>		<u>149,856</u>	<u>109,462</u>

The financial statements were approved and authorised for issue by the Board on 19 September 2018 and were signed on its behalf by



**Peter T Lawwell, Director**



**Christopher McKay, Director**

The notes on pages 47 to 80 form part of these financial statements.

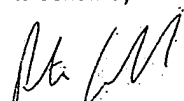
# Celtic plc

Registered number: SC3847  
**COMPANY BALANCE SHEET**  
AS AT 30 JUNE 2018

	Notes	2018 £000	2017 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	58,265	56,332
Intangible assets	16	20,963	13,927
Investment in subsidiaries	17	-	-
Trade receivables	20	4,397	-
		<b>83,625</b>	<b>70,259</b>
<b>Current assets</b>			
Trade and other receivables	20	14,088	5,834
Cash and cash equivalents	21,31	40,864	23,987
		<b>54,952</b>	<b>29,821</b>
<b>Total assets</b>		<b>138,577</b>	<b>100,080</b>
<b>Equity</b>			
Issued share capital	22	27,132	27,107
Share premium	23	14,720	14,657
Other reserve	23	21,222	21,222
Accumulated profits	23	2,430	2,414
<b>Total equity</b>		<b>65,504</b>	<b>65,400</b>
<b>Non-current liabilities</b>			
Borrowings	24	6,250	6,450
Debt element of Convertible Cumulative Preference Shares	22	4,208	4,232
Trade and other payables	26	10,302	5,940
Deferred tax liabilities	19	1,018	559
Provisions	27	1,556	542
		<b>23,334</b>	<b>17,723</b>
<b>Current liabilities</b>			
Trade and other payables	25	47,272	16,187
Borrowings	25	300	304
Provisions	27	2,167	466
		<b>49,739</b>	<b>16,957</b>
<b>Total liabilities</b>		<b>73,073</b>	<b>34,680</b>
<b>Total equity and liabilities</b>		<b>138,577</b>	<b>100,080</b>

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 £0.02m (2017: £0.04m).

The financial statements were approved and authorised for issue by the Board on 19 September 2018 and were signed on its behalf by



**Peter T Lawwell, Director**



**Christopher McKay, Director**

The notes on pages 47 to 80 form part of these financial statements.

# Celtic plc

## STATEMENTS OF CHANGES IN EQUITY

### YEAR ENDED 30 JUNE 2018

Consolidated	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 2016</b>	24,316	14,611	21,222	2,781	(12,460)	50,470
Share capital issued	1	46	-	-	-	47
Reduction in debt element of convertible cumulative preference shares following conversion	9	-	-	-	-	9
Transfer from capital reserve	2,781	-	-	(2,781)	-	-
Profit and total comprehensive income for the year	-	-	-	-	6,897	6,897
<b>Equity shareholders' funds as at 30 June 2017</b>	<b>27,107</b>	<b>14,657</b>	<b>21,222</b>	<b>-</b>	<b>(5,563)</b>	<b>57,423</b>
Share capital issued	1	63	-	-	-	64
Reduction in debt element of convertible cumulative preference shares following conversion	24	-	-	-	-	24
Profit and total comprehensive income for the year	-	-	-	-	15,423	15,423
<b>Equity shareholders' funds as at 30 June 2018</b>	<b>27,132</b>	<b>14,720</b>	<b>21,222</b>	<b>-</b>	<b>9,860</b>	<b>72,934</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 2016</b>	24,316	14,611	21,222	2,781	2,371	65,301
Share capital issued	1	46	-	-	-	47
Transfer from capital reserve	2,781	-	-	(2,781)	-	-
Reduction in debt element of convertible cumulative preference shares following conversion	9	-	-	-	-	9
Profit and total comprehensive income for the year	-	-	-	-	43	43
<b>Equity shareholders' funds as at 30 June 2017</b>	<b>27,107</b>	<b>14,657</b>	<b>21,222</b>	<b>-</b>	<b>2,414</b>	<b>65,400</b>
Share capital issued	1	63	-	-	-	64
Reduction in debt element of convertible cumulative preference shares following conversion	24	-	-	-	-	24
Profit and total comprehensive income for the year	-	-	-	-	16	16
<b>Equity shareholders' funds as at 30 June 2018</b>	<b>27,132</b>	<b>14,720</b>	<b>21,222</b>	<b>-</b>	<b>2,430</b>	<b>65,504</b>

The notes on pages 47 to 80 form part of these financial statements.

# Celtic plc

## CONSOLIDATED CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2018

	Note	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Profit for the year		15,423	6,897
Income tax expense		1,848	-
Depreciation	15	1,977	1,664
Amortisation of intangible assets	16	8,768	7,546
Impairment of intangible assets	16	214	287
Reversal of prior period impairment charge	16	-	(64)
Profit on disposal of intangible assets		(16,454)	(2,279)
Loss on disposal of property, plant and equipment		-	198
Net finance costs	11	764	620
		<u>12,540</u>	<u>14,869</u>
Decrease / (increase) in inventories		7	(525)
(Increase) in receivables		(6,142)	(687)
Increase in payables and deferred income		17,378	2,435
<b>Cash generated from operations</b>		<u>23,783</u>	<u>16,092</u>
Tax paid		(707)	-
Net Interest paid		(47)	(95)
<i>Net cash flow from operating activities</i>		<u>23,029</u>	<u>15,997</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,461)	(2,737)
Purchase of intangible assets		(10,645)	(9,889)
Proceeds from sale of intangible assets		9,821	11,382
<i>Net cash used in investing activities</i>		<u>(4,285)</u>	<u>(1,244)</u>
<b>Cash flows from financing activities</b>			
Repayment of debt	29		
	24	(200)	(200)
Dividend on Convertible Cumulative Preference Shares		(486)	(498)
<i>Net cash used in financing activities</i>		<u>(686)</u>	<u>(698)</u>
Net increase in cash equivalents		18,058	14,055
Cash and cash equivalents at 1 July 2017		24,505	10,450
Cash and cash equivalents at 30 June 2018	21	<u>42,563</u>	<u>24,505</u>

The notes on pages 47 to 80 form part of these financial statements.

# Celtic plc

## COMPANY CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2018

	Note	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Profit for the year		16	43
Taxation charge	19	459	559
Depreciation	15	1,977	1,664
Amortisation of intangible assets	16	8,768	7,546
Impairment of intangible assets	16	214	287
Reversal of prior period impairment charge	16	-	(64)
Profit on disposal of intangible assets		(16,454)	(2,279)
Loss on disposal of property, plant and equipment		-	198
Net finance costs	11	764	620
		<u>(4,256)</u>	<u>8,574</u>
(Increase) / decrease in receivables		(5,126)	651
Increase in payables		31,283	7,115
<b>Cash generated from operations</b>		<u>21,901</u>	<u>16,340</u>
Tax paid		(6)	-
Net Interest paid		(47)	(95)
<i>Net cash flow from operating activities</i>		<u>21,848</u>	<u>16,245</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,461)	(2,737)
Purchase of intangible assets		(10,645)	(9,889)
Proceeds from sale of intangible assets		9,821	11,382
<i>Net cash used in investing activities</i>		<u>(4,285)</u>	<u>(1,244)</u>
<b>Cash flows from financing activities</b>			
	29		
Repayment of debt	24	(200)	(200)
Dividend on Convertible Cumulative Preference Shares		(486)	(498)
<i>Net cash used in financing activities</i>		<u>(686)</u>	<u>(698)</u>
Net increase in cash equivalents		16,877	14,303
Cash and cash equivalents at 1 July 2017		23,987	9,684
Cash and cash equivalents at 30 June 2018	21	<u>40,864</u>	<u>23,987</u>

The notes on pages 47 to 80 form part of these financial statements.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE

The consolidated financial statements of Celtic plc (the 'Company') and its subsidiaries (together, the 'Group') for the year ended 30 June 2018 were approved and authorised for issue in accordance with a resolution of the Directors on 19 September 2018. The comparative information is presented for the year ended 30 June 2017.

Celtic plc is a public company limited by shares, incorporated in Scotland, U.K., and is listed on the AIM market operated by the London Stock Exchange. The registered office is detailed within the Directors, Officers and Advisers section on page 3.

The principal activities of the Group are described in the Business Review on page 6.

#### 2. 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 financial years 2018 and 2017, presented, for both the Group and the Company.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and in accordance with the provisions of the Companies Act 2006. 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.

The functional and presentational currency is GBP. The financial statements are rounded to the nearest thousand.

##### Going concern

The Company has adequate financial resources available to it, together with established contracts with a number of customers and suppliers. Additionally, a detailed budgeting process is undertaken each year which looks ahead 4 years from the current financial year, and is reviewed and approved by the Board. Consequently, the Directors believe that the Company is well placed to manage its business risks successfully despite the continuing uncertain outlook.

##### 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:

<b>International Accounting Standards</b>	<b>Effective date for periods commencing</b>
IFRS 9: Financial Instruments	1 January 2018
IFRS 15: Revenue from Contracts with Customers	1 January 2018
IFRS 16: Leases	1 January 2019

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements.

##### IFRS 9 *Financial Instruments*

The Group will apply IFRS 9 from 1 July 2018. The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's consolidated financial statements will depend on the financial instruments that the Group has during 2018/19 as well as on economic conditions and judgements made as at the year end. The Group has performed an assessment of the potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9 (1 January 2018), and, given historical experience of default and expected future rates, believes there will not be a significant impact on the financial statements as a result of implementing IFRS 9.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 2. BASIS OF PREPARATION (continued)

##### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2018. The group is required to adopt IFRS 15 for the year ending 30 June 2019.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications* to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group's significant revenue streams can be classified as follows:

- Seasonal and match tickets revenues, including hospitality packages.
- Centrally distributed media rights revenues.
- Sponsorship and commercial partner revenues.
- Merchandising revenues, including other royalties.

All revenue streams have been reviewed to determine how the current approach to revenue recognition would comply with the 5 step model under IFRS 15, with details of the conclusions reached on the significant revenue streams below. It should be noted that as almost all revenue streams are aligned to the football season, which in turn forms the basis for the financial year, the main factor for consideration is whether the implementation of IFRS 15 would impact materially on the half year results which are reported for the 6 months to 31 December.

##### *Seasonal and match ticket revenues*

This revenue stream is recognised on a match-by-match basis with the performance obligation associated to the price of a ticket/package being satisfied by the right to attend the match. It has therefore been concluded that all such revenues will continue to be recognised as these games are played.

##### *Centrally distributed media rights revenues*

Media rights revenues, which also include an element of centrally negotiated sponsorship, are recognised either on a match-by-match basis in a specific competition or evenly over the course of a football campaign. Where there is a clear performance obligation of competing in a specified number of matches in a specific competition where all matches are broadcast live (e.g. UEFA Champions League), the revenues are recognised in line with these matches being completed. Final distributions from such competitions may include elements of variable consideration, however, as these payments are unconfirmed at the time of match participation they are not recognised until known in timing and value. It has been concluded that this approach is considered appropriate under the principles of IFRS 15.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 2. BASIS OF PREPARATION (continued)

##### *Sponsorship and commercial partner revenues*

These revenue streams include shirt and training kit sponsorship as well as the kit manufacture/royalty agreement. A review of the commercial agreements in relation to these revenues has been performed, while considering the 5 step model under IFRS 15, in order to identify the most appropriate approach to revenue recognition.

Each of the contracts has a number of identifiable performance obligations, which include but are not limited to, branding on Club merchandise, provision of matchday hospitality, social media activity and, in the case of kit manufacture, the ability to sell Club merchandise.

The primary value within sponsorship contracts has been determined as the brand exposure which is experienced by the sponsor. This exposure can take place at various times and locations and is not limited purely to the exposure on a matchday. Therefore, it has been concluded that recognising the revenues evenly over the term of the agreement remains the most appropriate approach.

With regards to the kit manufacture partnership, the performance obligations are also performed throughout the term of the agreement with both parties gaining from the economic benefits of the partnership. Therefore, it has also been concluded that recognition evenly over the term of the agreement complies with the principles of IFRS 15.

##### *Merchandising revenues*

This revenue streams include revenues earned from the Group's kit manufacturer (as noted above) and outlets including e-commerce and wholesale revenues. It has been concluded that recognising revenue as good and services have been delivered to our customers is appropriate under IFRS 15.

Overall, we have concluded that the impact on the Group financial statements of implementing IFRS 15 is negligible.

##### **IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group currently expects to adopt IFRS 16 for the year ending 30 June 2020. No decision has yet been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts based on whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas, under the IFRS 16 model, the lease payments will be split into a principal and an interest portion, which will be presented as financing and operating cash flows respectively.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 2. BASIS OF PREPARATION (continued)

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Based on our assessment, the net impact to the Group's financial statements is not considered to have a material net effect; however, this includes what would be a material grossing out on the Balance Sheet with a corresponding increase to both assets and liabilities. We will recognise the carrying value of the operating leases within assets with an offsetting liability and there will be a reallocation in the Statement of Comprehensive Income from rental costs to depreciation within Operating Expenses and to the unwinding discount within Finance Expense.

### 3. 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 2018.

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

#### (b) Property, plant and equipment

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 Football Stadium)	4% - 10% straight line
Football Stadium	1.33% straight line

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate. Gains or losses on disposal are included in Operating Expenses 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.

#### (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 upon crystallisation of all contingent events relating to their payment and where the value of the asset is enhanced by the underlying event. All of these amounts are amortised to the 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 3. ACCOUNTING POLICIES (continued)

##### (d) Impairment policy

The Group and Company assesses intangible assets for indicators of impairment at each balance sheet date by assessing each individual player's carrying value in respect of their contribution to the cash generating business activities.

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 and involvement in playing and training squads;
- (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) post balance sheet transactions relevant to the football personnel in question e.g. contract termination, subsequent transfer of the player for a sum lower than the amortised value.

An impairment loss is recognised where the asset's carrying value is deemed to be irrecoverable. The carrying value is then written off to the consolidated statement of comprehensive income as an impairment loss. 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.

##### (e) Revenue

Revenue, which is exclusive of value added tax, represents match receipts and other income associated with the continuing principal activity of running a professional football club. Revenue is analysed between Football and Stadium Operations, Merchandising and Multimedia and Other Commercial Activities.

Football and Stadium Operations revenue arises from all ticket sales, standard, premium and corporate, derived from matches played at Celtic Park. Other revenues arise from match day and non-match day 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.

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 and is recognised when goods or services have been delivered to our customers.

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 and Other Commercial Activities.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 3. ACCOUNTING POLICIES (continued)

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, based on known amounts, when each relevant match is played with any surplus pay out recognised only upon certainty of receipt and associated value.
- 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 revenue, 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 revenue is recognised evenly over the period of the partnership / marketing agreement / contract. These frequently consist of fixed licence fees or guaranteed minimum royalties.

#### (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.

After initial recognition, the Group value financial instruments using the income approach. The income approach converts future cash flows to a single current amount. Such fair value measurement reflects current market expectations using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating cash flows over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Cash flows are then recognised on an effective interest basis over the life of the asset or liability.

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.

Trade receivables: Trade receivables are stated at their amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. They are recognised on the trade date of the related transactions.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 3. ACCOUNTING POLICIES (continued)

**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 consolidated statement of comprehensive income 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. The derecognised liability forms part of the consideration paid for the ordinary shares issued on conversion.

**Trade payables:** Trade payables are stated at their amortised cost. Interest expenses are recognised by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial. 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.

#### **(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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 3. ACCOUNTING POLICIES (continued)

#### (k) Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. 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 and non-recurring expenditure as exceptional operating expenses in the consolidated statement of comprehensive income.

#### (m) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, the obligation can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

In respect of an onerous contract, a provision is recognised where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### (n) Critical accounting estimates and judgements

The areas where management consider the more complex estimates, judgements and assumptions are required are those in respect of:

##### (i) Impairment and intangible asset net book value

IFRS requires companies to carry out an impairment assessment on any assets that show indications of impairment at the balance sheet date. This assessment includes exercising management judgement and considering the balance sheet carrying value as noted at 3(d) above. Events subsequent to this initial assessment may give rise to a reversal of any impairments, such as a transfer or a significant turnaround in performance, in which case an impairment reversal would be recognised. Therefore, an element of uncertainty exists in relation to recognition of impairment.

##### (ii) Provisions and onerous contracts

Management judgement is used to determine whether a contract is onerous and, if so, the amount of provision required. This is assessed by comparing the future cost of contractual obligations against the projected income or economic benefit for the item in question using future forecasts.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 3. ACCOUNTING POLICIES (continued)

#### (ii) Provisions and onerous contracts (continued)

Judgement is required to assess the projected income or economic benefits achievable and in determining that no future changes in circumstances will result in a reversal of the provision. This is assessed on a case by case basis.

#### (o) Long Term Incentive Plans

The Group and Company operates long term incentive plans for certain employees (as described in the Remuneration report). The costs in relation to these schemes are calculated based on the agreements in place and are accrued as and when the likelihood of payment is deemed as probable with payment being made when the vesting conditions are met in full. The discounted balances payable are held within Trade and Other Payables.

### 4. SEGMENTAL REPORTING

A review of IFRS 8: "Operating Segments" has been performed in order to establish the appropriateness of the Group's segmental reporting. Management information is provided at revenue level for each of the three key revenue streams with specific cost information focusing on significant items rather than with a view to reporting operating segments. As such, the segmental reporting provided below is considered to be appropriate and in line with how management view the business.

The three key revenue streams are: Football and Stadium Operations, Merchandising and Multimedia and Other Commercial Activities. The Group operates in the UK and, as a result, does not have any geographical segments.

	2018	2017
	£000	£000
The Group's revenue comprised:		
Football and Stadium Operations	43,587	37,571
Merchandising	17,717	16,479
Multimedia and Other Commercial Activities	40,269	36,589
	101,573	90,639

### 5. OPERATING PROFIT

	2018	2017
	£000	£000
Operating profit is stated after charging:		
Staff costs (note 8)	59,335	52,190
Depreciation of property, plant and equipment (note 15)	1,977	1,664
Impairment of intangible assets (note 16)	214	287
Reversal of prior period impairment charges (note 16)	-	(64)
Amortisation of intangible assets (note 16)	8,768	7,546
Operating lease expense (note 30)	753	729
Foreign exchange (gain)/loss	(20)	15
Cost of inventories recognised as expense	10,394	9,084

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 6. AUDITOR'S REMUNERATION

	2018 £000	2017 £000
Fees payable to the Company's auditor and its associates in respect of:		
Audit of the Company's financial statements	22	21
Audit of the financial statements of the Company's subsidiaries	17	16
Audit related services	3	2
Taxation compliance services	13	13
Taxation advisory services	-	12
	<u>55</u>	<u>64</u>

#### 7. EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £4.14m (2017: £1.53m) can be analysed as follows :

	2018 £000	2017 £000
Impairment of intangible assets and other prepaid costs	511	287
Reversal of prior period impairment charges	-	(64)
Onerous employment contracts	3,549	1,004
Settlement agreements on contract termination	81	299
	<u>4,141</u>	<u>1,526</u>

The impairment of intangible assets, and the reversal of impairment charges, relate to adjustments required as a result of management's assessment of the carrying value of certain player registrations relative to their current market value.

Onerous employment contract costs result from a situation where the committed costs under that contract are assessed as exceeding the economic benefits expected to be received by the Group over the term of the contract.

Settlement agreements on contract termination are costs in relation to exiting certain employment contracts.

#### 8. STAFF PARTICULARS

	2018 £000	2017 £000
<b>Group</b>		
Wages and salaries	52,517	46,293
Social security costs	6,350	5,473
Other pension costs	468	424
	<u>59,335</u>	<u>52,190</u>

Included in the above wages and salaries is £1,026,000 (2017: £924,000) paid to agency staff.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 8. STAFF PARTICULARS (CONTINUED)

Employee numbers	2018 Number	2017 Number
Players and football administration staff	174	170
Administration and retail staff	348	337
Average number of full time equivalents employed in the year:	522	507

During the year the average number of employees was 803 (2017: 752).

Company	2018 £000	2017 £000
Wages and salaries	6,153	7,240
Social security costs	745	900
Other pension costs	137	133
	7,035	8,273

Included in the above wages and salaries is £27,000 (2017: £19,000) paid to agency staff.

Employee numbers (Company)	2018 Number	2017 Number
Players and football administration staff	68	73
Administration and retail staff	26	24
Average number of full time equivalents employed in the year:	94	97

During the year, the average number of employees was 98 (2017: 102).

#### 9. DIRECTORS' EMOLUMENTS

	Salary/ Fees	Bonus	Benefits in kind	Total Excl pension costs	Pension Costs	2018 Total
	£	£	£	£	£	£
T Allison	25,000	-	-	25,000	-	25,000
I Bankier	80,000	-	-	80,000	-	80,000
D Desmond	25,000	-	-	25,000	-	25,000
P Lawwell	1,150,000	-	17,729	1,167,729	-	1,167,729
C McKay	147,248	64,421	12,450	224,119	22,087	246,206
B Wilson	25,000	-	-	25,000	-	25,000
S Brown	30,000	-	-	30,000	360	30,360
	1,482,248	64,421	30,179	1,573,677	22,447	1,599,295

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 9. DIRECTORS' EMOLUMENTS (continued)

	Salary/ Fees	Bonus	Benefits in kind	Total Excl pension costs	Pension Costs	2017 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	1,150,000	-	17,411	1,167,411	-	1,167,411
I Livingston	30,000	-	-	30,000	-	30,000
C McKay	140,000	61,250	12,217	213,467	21,000	234,467
B Wilson	25,000	-	-	25,000	-	25,000
S Brown	14,015	-	-	14,015	111	14,126
	<b>1,459,015</b>	<b>61,250</b>	<b>29,628</b>	<b>1,549,893</b>	<b>21,111</b>	<b>1,571,004</b>

The aggregate emoluments and pension contributions of the highest paid Director were £1,167,729 (2017: £1,167,411) and £nil (2017: £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 (2017: 2) Directors. The employers NIC on Directors' remuneration during the year amounted to £207,117 (2017: £254,890). No Directors received share options during the year (2017: £nil).

An ELTIP was introduced in 2017 with the objective of retaining and rewarding, through financial incentives, key executives within the Group over the medium to long term.

Chris McKay participates in the ELTIP. The Remuneration Committee was satisfied that Mr McKay had satisfied the applicable criteria for the financial year to 30 June 2018. Accordingly, the awards set out in the table on page 32 have accrued for the benefit of Mr. McKay. Payment remains subject to the operation of the ELTIP conditions.

In addition, an LTPIP was introduced in 2017 with the purpose of linking the continuing service and performance of the Chief Executive to performance targets which have the objective of improving Company performance, the football performance of Celtic FC and generating shareholder value. Mr Lawwell participates in the LTPIP. The Remuneration Committee was satisfied that the awards set out in the table on page 32 have accrued for the benefit of Mr. Lawwell. Payment remains subject to the operation of the LTPIP conditions.

#### 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 £467,919 (2017: £424,111) and £136,949 (2017: £133,617) respectively. Group and Company contributions of £3,209 (2017: £36,411) and £nil (2017: £9,804) respectively were payable to the fund at the year-end. In addition to this, the Group and Company also contributed to the personal pension plans of certain employees.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 11. FINANCE INCOME AND EXPENSE

	2018	2017
	£000	£000
Finance income:		
Notional interest receivable on deferred consideration	138	176
Interest receivable on bank deposits	78	28
	216	204
Finance expense:		
Interest payable on bank and other loans	126	120
Notional interest payable on deferred consideration	281	146
Dividend on Convertible Cumulative Preference Shares (note 14)	573	558
	980	824

#### 12. TAX ON ORDINARY ACTIVITIES

The provision for corporation tax as at 30 June 2018 is £1.14m (2017: nil) which reflects a tax charge of £1.85m with payments of £0.70m made in the year. There are no tax losses carried forward (2017: £7.64m) and the available capital allowances pool is approximately £10.50m (2017: £9.52m). These estimates are subject to the agreement of the current year's corporation tax computations with H M Revenue and Customs.

The standard rate of corporation tax for the year in the United Kingdom is 19% (2017: 19.75%).

	2018	2017
	£000	£000
<b>Current tax expense</b>	<b>1,848</b>	-
<b>Deferred tax expense</b>		
Origination of temporary timing differences (Note 19)	(459)	(559)
Utilisation of previously unrecognised deferred tax assets	442	559
Adjustments in respect of prior periods	17	-
<b>Total deferred tax</b>	-	-
<b>Total tax expense</b>	<b>1,848</b>	-

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 12. TAX ON ORDINARY ACTIVITIES (continued)

The difference between the actual tax expense for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year as follows:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	17,271	6,897
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2017: 19.75%)	3,281	1,362
Effects of:		
Fixed asset differences	275	260
Expenses not deductible for tax purposes	10	4
Dividends reclassified as interest	109	110
Income not taxable for tax purposes	(202)	(198)
Other permanent differences	-	4
Adjustments in respect of prior periods (deferred tax)	17	-
Adjust closing deferred tax to average rate	(120)	(59)
Adjust opening deferred tax to average rate	(165)	-
Utilisation of previously unrecognised deferred tax assets	(1,357)	(1,483)
<b>Total tax expense</b>	<b>1,848</b>	<b>-</b>

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

### 13. DIVIDEND ON CONVERTIBLE CUMULATIVE PREFERENCE SHARES

A 6% non-equity dividend of £0.51m (2017: £0.51m), was paid on 31 August 2018 to those holders of Convertible Cumulative Preference Shares on the share register at 28 July 2018. A number of shareholders elected to participate in the Company's scrip dividend reinvestment scheme for the financial year to 30 June 2018. 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 £nil (2017: £0.02m) in respect of statute barred preference dividends in accordance with the Company's Articles of Association.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 14. EARNINGS PER SHARE

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Reconciliation of earnings to basic earnings:		
Net earnings attributable to equity holders of the parent	<b>15,423</b>	6,897
Basic earnings	<u><b>15,423</b></u>	<u>6,897</u>
Reconciliation of basic earnings to diluted earnings:		
Basic earnings	<b>15,423</b>	6,897
Non-equity share dividend	<b>573</b>	577
Reclaim of statute barred non-equity share dividends	-	(19)
Diluted earnings	<u><b>15,996</b></u>	<u>7,455</u>
	<b>No.'000</b>	<b>No.'000</b>
Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Basic weighted average number of ordinary shares	<b>93,663</b>	93,403
Dilutive effect of convertible shares	<u><b>42,803</b></u>	<u>43,041</u>
Diluted weighted average number of ordinary shares	<u><b>136,466</b></u>	<u>136,444</u>

Earnings per share of 16.47p (2017: 7.38p) has been calculated by dividing the profit for the period of £15.4m (2017: £6.90m) by the weighted average number of Ordinary Shares of 93.7m (2017: 93.4m) in issue during the year. Diluted earnings per share of 11.72p (2017: 5.46p) as at 30 June 2018 has been calculated by dividing the profit for the period by the weighted average number of Ordinary Shares, Convertible Cumulative Preference Shares and Convertible Preferred Ordinary Shares in issue, assuming conversion at the balance sheet date, if dilutive.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 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 2017	55,621	4,022	19,497	79,140
Additions	957	21	2,932	3,910
<b>At 30 June 2018</b>	<u>56,578</u>	<u>4,043</u>	<u>22,429</u>	<u>83,050</u>
<b>Accumulated Depreciation</b>				
At 1 July 2017	4,677	2,878	15,253	22,808
Charge for year	875	200	902	1,977
<b>At 30 June 2018</b>	<u>5,552</u>	<u>3,078</u>	<u>16,155</u>	<u>24,785</u>
<b>Net Book Value</b>				
<b>At 30 June 2018</b>	<u>51,026</u>	<u>965</u>	<u>6,274</u>	<u>58,265</u>
At 30 June 2017	<u>50,944</u>	<u>1,144</u>	<u>4,244</u>	<u>56,332</u>
<b>Group and Company</b>				
	Freehold Land and Buildings £000	Plant and Vehicles £000	Fixtures, Fittings and Equipment £000	Total £000
<b>Cost</b>				
At 1 July 2016	54,180	4,105	18,818	77,103
Additions	1,630	20	1,268	2,918
Disposals	(189)	(103)	(589)	(881)
<b>At 30 June 2017</b>	<u>55,621</u>	<u>4,022</u>	<u>19,497</u>	<u>79,140</u>
<b>Accumulated Depreciation</b>				
At 1 July 2016	4,151	2,756	14,920	21,827
Charge for year	611	202	851	1,664
Eliminated on disposal	(85)	(80)	(518)	(683)
<b>At 30 June 2017</b>	<u>4,677</u>	<u>2,878</u>	<u>15,253</u>	<u>22,808</u>
<b>Net Book Value</b>				
<b>At 30 June 2017</b>	<u>50,944</u>	<u>1,144</u>	<u>4,244</u>	<u>56,332</u>
At 30 June 2016	<u>50,029</u>	<u>1,349</u>	<u>3,898</u>	<u>55,276</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 16. INTANGIBLE ASSETS

Group and Company	2018 £000	2017 £000
<b>Cost</b>		
At 1 July	34,335	28,244
Additions	16,618	13,773
Transfer to prepayments	(605)	-
Disposals	(5,386)	(7,682)
<b>At 30 June</b>	<b>44,962</b>	<b>34,335</b>
<b>Amortisation</b>		
At 1 July	20,408	18,446
Charge for year	8,768	7,546
Transfer to prepayments	(371)	-
Provision for impairment	214	287
Reversal of prior period impairment	-	(64)
Disposals	(5,020)	(5,807)
<b>At 30 June</b>	<b>23,999</b>	<b>20,408</b>
<b>Net Book Value</b>		
<b>At 30 June</b>	<b>20,963</b>	<b>13,927</b>

The number of players with a book value in excess of £1m by contract expiry date is as follows:	2018 No.	2018 £000	2017 No.	2017 £000
Contract expiry within 1 year	2	2,725	-	-
Contract expiry within 2 years	2	4,478	3	6,691
Contract expiry within 3 years	2	9,762	-	-
Contract expiry within 4 years	1	1,015	1	2,460
	<b>7</b>	<b>17,980</b>	<b>4</b>	<b>9,151</b>

No individual intangible asset included above accounted for more than 38% of the total net book value of the intangible assets (2017: 19%). This increase from prior year is largely due to the timing of player transfers. The opening net book value of intangible assets at 1 July 2017 was £13.9m and on 1 July 2016 was £9.8m.

The profit on disposal of player registrations in the year was £16.45m (2017: £2.28m). 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 3(d) above, and recognises a write down to fair value less costs to sell. The impairment charge of £0.21m (2017: £0.29m) includes 1 player (2017: nil) whose contract expires within one year.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 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	Year End	No. of shares held
Protectevent Limited	Dormant	30 <sup>th</sup> June	500
Glasgow Eastern Developments Limited	Management of properties	30 <sup>th</sup> June	2
The Celtic Football and Athletic Company Limited	Football club management and promotional services	30 <sup>th</sup> June	2

These companies are registered in Scotland and are all included in the consolidated financial statements. The companies are all registered at Celtic Park, Glasgow, G40 3RE.

#### 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

	2018 Group £000	2017 Group £000	2018 Company £000	2017 Company £000
Raw materials	34	36	-	-
Finished goods	<u>2,373</u>	<u>2,378</u>	-	-
	<u>2,407</u>	<u>2,414</u>	-	-

Inventories written down during the year amounted to £0.16m (2017: £0.10m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 19. DEFERRED TAX

#### Group

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2017: 17%). The reduction in the main rate of corporation tax to 17% was substantively enacted on 15 September 2016. This new rate has been applied to deferred tax balances which are expected to reverse after 1 April 2017, the date on which that new rate became effective.

The movement on the deferred tax account is as shown below:

	2018	2017
	£000	£000
At 1 July	-	-
<i>Recognised in Consolidated Statement of Comprehensive Income</i>		
Origination of temporary timing differences	(459)	(559)
Utilisation of previously unrecognised deferred tax assets	442	559
Adjustments in respect of prior periods	17	-
<b>At 30 June</b>	-	-

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered in the foreseeable future. A deferred tax asset of £0.07m (2017: £1.42m) has not been recognised as it is not probable, at this time, that there will be sufficient taxable profits for this asset to be received against in the foreseeable future.

Details of the deferred tax asset and liability, amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	Asset	Liability	Net	(Charged)/credited to Consolidated Statement of Comprehensive Income
	2018	2018	2018	2018
	£000	£000	£000	£000
Accelerated capital allowances	-	(1,018)	(1,018)	(459)
Short term temporary differences	1,018	-	1,018	1,018
Available losses	-	-	-	(559)
	1,018	(1,018)	-	-
Tax asset/(liabilities)	1,018	(1,018)	-	-
Net tax assets/(liabilities)	1,018	(1,018)	-	-

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 19. DEFERRED TAX (CONTINUED)

	Asset 2017 £000	Liability 2017 £000	Net 2017 £000	(Charged)/credited to consolidated statement of Comprehensive income 2017 £000
Accelerated capital allowances	-	(559)	(559)	(559)
Available losses	<u>559</u>	<u>-</u>	<u>559</u>	<u>559</u>
			-	
Tax asset/(liabilities)	<u>559</u>	<u>(559)</u>	<u>-</u>	<u>-</u>
Net tax assets/(liabilities)	<u><u>559</u></u>	<u><u>(559)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

#### Company

The movement on the deferred tax account is as shown below:

	2018 £000	2017 £000
At 1 July	-	-
<i>Recognised in Company Statement of Comprehensive Income</i>		
Origination of temporary timing differences	<u>(459)</u>	<u>(559)</u>
<b>At 30 June</b>	<u><u>(459)</u></u>	<u><u>(559)</u></u>

At 30 June 2018, the deferred tax asset not reflected in the Company's Financial Statements was £nil (2017: £0.002m) which represents short term timing differences of £nil (2017: unutilised trading losses of £0.002m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 20. TRADE AND OTHER RECEIVABLES

	2018 Group £000	2017 Group £000	2018 Company £000	2017 Company £000
Trade receivables	21,525	10,966	16,177	5,741
Provision for doubtful debts (see below)	(389)	(188)	(175)	-
	<u>21,136</u>	<u>10,778</u>	<u>16,002</u>	<u>5,741</u>
Prepayments and accrued income	1,806	1,071	290	93
Other receivables	2,716	435	2,193	-
	<u>25,658</u>	<u>12,284</u>	<u>18,485</u>	<u>5,834</u>

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

	2018 Group £000	2017 Group £000	2018 Company £000	2017 Company £000
Trade receivables	<u>4,397</u>	<u>-</u>	<u>4,397</u>	<u>-</u>

The movement in the provision for doubtful debts was as follows:	2018 Group £000	2017 Group £000	2018 Company £000	2017 Company £000
Opening balance	188	50	-	5
Balances written off	(15)	(21)	-	(5)
Change in provision	216	159	175	-
Closing balance	<u>389</u>	<u>188</u>	<u>175</u>	<u>-</u>

#### 21. CASH AND CASH EQUIVALENTS

	2018 Group £000	2017 Group £000	2018 Company £000	2017 Company £000
Cash at bank	42,539	24,485	40,864	23,987
Cash on hand	24	20	-	-
Cash and cash equivalents	<u>42,563</u>	<u>24,505</u>	<u>40,864</u>	<u>23,987</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 22. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid			
	2018 No. '000	2017 No. '000	2018 No. '000	2018 £000	2017 No. '000	2017 £000
<b>Group and Company</b>						
<b>Equity</b>						
Ordinary Shares of 1p each	223,163	222,925	93,758	938	93,459	935
Deferred Shares of 1p each	650,359	638,055	650,359	6,504	638,055	6,381
Convertible Preferred Ordinary Shares of £1 each	14,908	14,980	12,920	12,920	12,992	12,992
<b>Non-equity</b>						
Convertible Cumulative Preference Shares of 60p each	18,428	18,517	15,928	9,557	16,017	9,610
Less reallocated to debt under IAS 32:						
Initial debt				(2,787)		(2,811)
	906,858	894,477	772,965	27,132	760,523	27,107

On 31 August 2018, 50,615 new Ordinary Shares of 1p each were issued in respect of mandates received from holders of Convertible Cumulative Preference Shares to reinvest their dividends.

The Convertible Preferred Ordinary Shares ("CPO") 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 2018, the Company has converted 13,200 Convertible Preferred Ordinary Shares. As at 17 September 2018, the latest practicable date before publication, no notices had been received in respect of the conversion of Convertible Preferred Ordinary Shares.

On issue, the CPOs also had rights to fixed dividend for a set period, which has now expired. In consequence, they were treated as a compound financial instrument with a proportion of the share capital being recognised as a liability, measured at the present value of the fixed dividend. As the initial liability amount remained capital of the Company, an amount equivalent to the initially recognised liability was transferred to the Capital Reserve from retained earnings. As the rights to dividend have now expired and the liability has been eliminated, the Capital Reserve was transferred to Share Capital in the prior year. The amount recognised within share capital in respect of the CPOs now represents the full nominal value of the shares that remain unconverted at the balance sheet date. There has been no impact on the overall capital position of the Company following this conversion.

Each Convertible Cumulative Preference Share ("CCP") of 60p carries the right, subject to the availability of distributable profits, to the payment of a fixed cumulative preference dividend equal to 6% (less tax credit deduction) of its nominal value. This dividend right started accruing from 1 July 1996, approximately six months after the CCPs were issued, with the first dividend payment made on 31 August 1997. Holders of CCPs are also entitled to convert each share into one Ordinary Share of 1p and 59 Deferred Shares of 1p each. During the year ended 30 June 2018, 89,323 CCPs were converted in accordance with these provisions. Since 30 June 2018, the Company has converted 14,972 Convertible Cumulative Preference Shares into Ordinary Shares. 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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 22. SHARE CAPITAL (CONTINUED)

As at 17 September 2018, the latest practicable date before publication, no further notices had been received in respect of the conversion of the CCPs.

As the CCPs are compound financial instruments, on initial recognition, an amount equivalent to the present value of the future cash dividend payments (calculated by reference to the Company's then incremental borrowing rate of 23.98%) was recognised as a financial liability. That financial liability was subsequently measured at amortised cost using the effective interest rate of 23.42%. The current carrying value of the financial liability element of the CCPs in the Balance Sheet is £4.21m (2017: £4.23m). 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.

As the CCPs are converted, the carrying amount of the financial liability related to that share transferred between the CCP liability and share capital.

<b>Reconciliation of number of Ordinary Shares in issue:</b>	<b>2018</b>	<b>2017</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	93,459	93,256
Shares issued re scrip dividend scheme	61	65
Shares issued re Convertible Preferred Ordinary Share conversions	149	103
Shares issued re Preference Share conversions	89	35
	<u>93,758</u>	<u>93,459</u>
Closing Balance	<u>93,758</u>	<u>93,459</u>

<b>Reconciliation of number of Deferred Shares in issue:</b>	<b>2018</b>	<b>2017</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	638,055	631,134
Shares issued re Convertible Preferred Ordinary Share conversions	7,034	4,846
Shares issued re Preference Share conversions	5,270	2,075
	<u>650,359</u>	<u>638,055</u>
Closing Balance	<u>650,359</u>	<u>638,055</u>

<b>Reconciliation of number of Convertible Preferred Ordinary Shares in issue:</b>	<b>2018</b>	<b>2017</b>
	<b>No. '000</b>	<b>No. '000</b>
Opening balance	12,992	13,042
Convertible Preferred Ordinary Share conversions to Ordinary and Deferred Shares	(72)	(50)
	<u>12,920</u>	<u>12,992</u>
Closing Balance	<u>12,920</u>	<u>12,992</u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 22. SHARE CAPITAL (CONTINUED)

#### Reconciliation of number of Convertible Cumulative Preference Shares in issue:

	2018 No. '000	2017 No. '000
Opening balance	16,017	16,052
Convertible Cumulative Preference Share conversions to Ordinary and Deferred Shares	<u>(89)</u>	<u>(35)</u>
Closing Balance	<u>15,928</u>	<u>16,017</u>

### 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. Included in this reserve is an amount equal to three times the Executive Club loans, currently equal to £300,000 (2017: £312,000) which will remain non-distributable until such loans are repaid by the Company.

On issue, the CPOs also had rights to fixed dividend for a set period, which has now expired. In consequence, they were treated as a compound financial instrument with a proportion of the share capital being recognised as a liability, measured at the present value of the fixed dividend. As the initial liability amount remained capital of the Company, an amount equivalent to the initially recognised liability was transferred to the Capital Reserve from retained earnings.

As the rights to dividend have now expired and the liability has been eliminated, the Capital Reserve was transferred to Share Capital in the prior year. The amount recognised within share capital in respect of the CPOs now represents the full nominal value of the shares that remain unconverted at the balance sheet date. There has been no impact on the overall capital position of the Company following this conversion.

The Share Premium account represents the accumulation of the premium recognised on the issue of Ordinary Shares. The increase in the year from £14.66m to £14.72m reflects the premium on the issue of Ordinary Shares arising from the scrip dividend.

Accumulated profits or losses represents the accumulated profits or losses of the Group or Company, net of distributions made.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 24. BORROWINGS – Group and Company

	2018 £000	2017 £000
Current portion of interest bearing liabilities	200	200
Non current portion of interest bearing liabilities	<u>6,250</u>	<u>6,450</u>
	<u><u>6,450</u></u>	<u><u>6,650</u></u>

The Interest bearing liabilities as at 30 June 2018 are represented by loans from The Co-operative Bank. These loans bear interest at London Inter-Bank Offered Rate plus 1.50%. The loans are floating rate loans and therefore expose the Group to cash flow risk. The Group has the option to repay the loans earlier than the maturity dates without penalty. The bank loans are secured over Celtic Park, land adjoining the stadium and at Westhorn and Lennoxton. As detailed in note 32, a re-negotiated lending arrangement was entered into in August 2018.

### 25. TRADE AND OTHER PAYABLES (CURRENT)

	2018 Group £000	2017 Group £000	2018 Company £000	2017 Company £000
Current portion of bank loans	200	200	200	200
Other loans	100	104	100	104
Accrued expenses	17,739	5,670	13,855	1,916
Trade and other payables	8,125	4,765	7,038	4,276
Corporation tax	1,141	-	-	-
Amounts owing to Group companies	-	-	26,379	9,995
Provisions (see note 27)	<u>2,442</u>	<u>658</u>	<u>2,167</u>	<u>466</u>
	<u><u>29,747</u></u>	<u><u>11,397</u></u>	<u><u>49,739</u></u>	<u><u>16,957</u></u>

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

### 26. TRADE AND OTHER PAYABLES (NON CURRENT)

	2018 Group £000	2017 Group £000	2018 Company £000	2017 Company £000
Provisions (see note 27)	2,309	1,543	1,556	542
Trade and other payables	<u>10,302</u>	<u>5,940</u>	<u>10,302</u>	<u>5,940</u>
	<u><u>12,611</u></u>	<u><u>7,683</u></u>	<u><u>11,858</u></u>	<u><u>6,482</u></u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 27. PROVISIONS

Group	Onerous Contracts £000	Dilapidations £000	Other £000	Total £000
<b>Cost</b>				
At 1 July 2017	1,756	122	323	2,201
Provided during the year	3,895	14	-	3,909
Release of provision	(175)	-	(166)	(341)
Utilised during the year	(1,018)	-	-	(1,018)
<b>At 30 June 2018</b>	<b>4,458</b>	<b>136</b>	<b>157</b>	<b>4,751</b>
Due within one year or less	2,383	59	-	2,442
Due after more than one year	2,075	77	157	2,309
<b>At 30 June 2018</b>	<b>4,458</b>	<b>136</b>	<b>157</b>	<b>4,751</b>
Company	Onerous Contracts £000	Dilapidations £000	Other £000	Total £000
<b>Cost</b>				
At 1 July 2017	1,008	-	-	1,008
Provided during the year	3,724	-	-	3,724
Release of provision	(175)	-	-	(175)
Utilised during the year	(834)	-	-	(834)
<b>At 30 June 2018</b>	<b>3,723</b>	<b>-</b>	<b>-</b>	<b>3,723</b>
Due within one year or less	2,167	-	-	2,167
Due after more than one year	1,556	-	-	1,556
<b>At 30 June 2018</b>	<b>3,723</b>	<b>-</b>	<b>-</b>	<b>3,723</b>

#### Onerous Contracts

A provision is recognised where the unavoidable costs of meeting the obligations of certain retail lease agreements or employment contracts exceed the economic benefits expected to be received by the Group over the term of the contract. Refer to note 3(g) and 3(m).

#### Dilapidations

A provision is recognised where the Group has a contractual obligation in respect of restoration works required on conclusion of a lease agreement. Refer to note 3(g) and 3(m).

#### Other

A provision is recognised in respect of other commercial contracts where a legal obligation, which can be estimated reliably and which is expected to be payable in the foreseeable future, exists at the balance sheet date. Refer to note 3(m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 28. DEFERRED INCOME

	2018 Group £000	2017 Group £000	2018 Company £000	2017 Company £000
Income deferred less than one year	<u>24,020</u>	<u>22,362</u>	<u>-</u>	<u>-</u>

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

	2018 Group £000	2017 Group £000	2018 Company £000	2017 Company £000
Income deferred after more than one year	<u>86</u>	<u>115</u>	<u>-</u>	<u>-</u>

Deferred income due after more than one year comprises elements of income, the cash for which has been received prior to the year-end in respect of the years beyond 2017/18.

### 29. NOTES TO THE CASH FLOW STATEMENT- GROUP AND COMPANY

Analysis of change in debt

	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Debt element of Convertible Cumulative Preference Shares £'000	Total £'000
<b>At 1 July 2017</b>	6,450	304	4,232	10,986
Cash flows	-	(204)	-	(204)
Non-cash flows				
-Debt converted to equity	-	-	(24)	(24)
-Loans and borrowings classified as non-current at 30 June 2017 becoming current during 2018	<u>(200)</u>	<u>200</u>	<u>-</u>	<u>-</u>
<b>At 30 June 2018</b>	<u><u>6,250</u></u>	<u><u>300</u></u>	<u><u>4,208</u></u>	<u><u>10,758</u></u>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 29. NOTES TO THE CASH FLOW STATEMENT (continued)

	Non-current loans and borrowings	Current loans and borrowings	Debt element of Convertible Cumulative Preference Shares	Total
	£'000	£'000	£'000	£'000
<b>At 1 July 2016</b>	6,650	304	4,242	11,196
Cash flows	-	(200)	-	(200)
Non-cash flows				
-Debt converted to equity	-	-	(10)	(10)
-Loans and borrowings classified as non-current at 30 June 2017 becoming current during 2018	(200)	200	-	-
<b>At 30 June 2017</b>	<b>6,450</b>	<b>304</b>	<b>4,232</b>	<b>10,986</b>

Cash flows represent the repayment of loans.

The Group's non-equity Convertible Cumulative Preference Shares are convertible to equity shares on or any time after 1 July 2001 at the discretion of the shareholder. Non-cash flows in relation to these represent the transfer of non-equity Convertible Cumulative Preference Shares to equity shares (Ordinary and Deferred) in the year.

#### 30. CAPITAL AND OTHER FINANCIAL COMMITMENTS

##### a. Capital commitments

	2018	2017
	£000	£000
Group and Company		
Authorised and contracted for	<u>1,058</u>	<u>862</u>

##### b. Other commitments

At 30 June 2018 the Group had commitments under operating leases as follows:

	Land & Buildings		Other	
	2018	2017	2018	2017
	£000	£000	£000	£000
<b>Amounts payable:</b>				
Within 1 year	474	529	52	17
Between 2 and 5 years	991	1,276	57	24
In more than 5 years	<u>6</u>	<u>82</u>	<u>-</u>	<u>-</u>

Lease payments recognised in the consolidated statement of comprehensive income for the period amounted to £0.75m (2017: £0.73m).

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 30. CAPITAL AND OTHER FINANCIAL COMMITMENTS (CONTINUED)

#### 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 and/or receivable by the Group if specific future conditions are met. Such future conditions could include first team competitive appearances, football success in specified competitions, international appearances and contracts continuing beyond existing break-clauses which the Group has the ability to exercise.

Amounts in respect of such contracts at 30 June 2018 are noted below:

	2018	2017
Group and Company	£000	£000
<b>Conditions for triggering additional amounts payable:</b>		
Appearances	800	609
Success achievements	1,582	606
Registered at a future pre-determined date	546	1,967
	2,928	3,182
Number of players contingent transfer fees payable relates to:	22	33

	2018	2017
Group and Company	£000	£000
<b>Conditions for triggering additional amounts receivable:</b>		
Appearances	3,008	2,099
Success achievements	2,121	24
	5,129	2,123
Number of players contingent transfer fees receivable relates to:	8	5

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 31. FINANCIAL INSTRUMENTS – Group and Company

#### Financial risk management objectives & policies

The principal financial instruments during the financial year ended 30 June 2018 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 as categorised below:

	2018	2017
	£'000	£'000
<b>Financial Assets</b>		
Cash	42,563	24,505
Trade receivables	25,658	12,284
<b>Financial Liabilities</b>		
Trade payables	37,307	16,375
Bank Borrowings	6,450	6,654
Other Creditors	100	104
Convertible Cumulative Preference Shares	4,208	4,232

The main purpose of these financial instruments is to finance the Group's operations.

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 volume of transactions undertaken in the year are in Sterling; however a small number of high value transactions related to UEFA payments are denominated in Euro and the Group and Company is therefore exposed to foreign exchange risk for these transactions. Where appropriate, the Group and Company may hedge their position utilising forward contracts. There were no forward contracts in place at the year end. In addition, the Group and Company benefited from low interest rates during the financial year.

In the Directors' assessment, the principal risks remain unchanged from 2017.

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.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 31. FINANCIAL INSTRUMENTS (CONTINUED)

##### (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 a combination of existing cash reserves and bank borrowings. As at 30 June 2018 the Group and Company has a £12.1m (2017: £12.3m) facility with The Co-operative Bank PLC, which was refinanced during the year, of which £5.65m (2017: £5.65m) is in the form of a Revolving Credit Facility ("RCF") and £6.45m (2017: £6.65m) 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. £6.45m (2017: £6.65m) 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 2017/18, fixed rate periods were for three months and the average balance on the loans was £6.55m (2017: £6.75m). During the course of the year, the Group had an average credit balance on the RCF facility of £nil (2017: £nil).

##### *Interest rate sensitivity analysis*

Based on the average levels of debt in the year to 30 June 2018 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 (2017: £0.07m). The calculation in both years incorporates the terms and conditions of the agreement with The Co-operative Bank at that time.

In terms of the overall risk management process, executive management liaise closely with advisers 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 caps, collars or other mechanisms. No such mechanisms were utilised during the year nor in 2017.

The Group banking facilities were re-negotiated in August 2018 as detailed in note 32.

##### (ii) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

##### *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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 31. FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 June 2018, £0.24m representing 1.1% of trade receivables of the Group of £21.52m (2017: £10.97m) were past due but not impaired (2017: £0.35m, 3.2%) and £0.03m representing 0.19% of the trade receivables of the Company of £16.18m were past due but not impaired (2017: £0.06m, 0.05%). Group trade receivables of £0.39m (2017: £0.19m) 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.

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 2018 and 2017, The Co-operative Bank PLC was in a net lending position, as £6.45m (2017: £6.65m) 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 2018, 70% of trade payables of the Group were due to be paid within one month (2017: 62%) and 74% of trade payables of the Company were due to be paid within one month (2017: 84%). The nature of other payables is such that amounts due will crystallise within a 3 month period.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

	2018 Group £000	2018 Group £000	2018 Group £000	2018 Group £000	2018 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	35	105	6,447	-	6,587
Current portion of borrowings	51	153	-	-	204
<b>Total</b>	<b>86</b>	<b>258</b>	<b>6,447</b>	<b>-</b>	<b>6,791</b>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2018

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

	2017 Group £000	2017 Group £000	2017 Group £000	2017 Group £000	2017 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	30	90	6,619	-	6,739
Current portion of borrowings	51	153	-	-	204
<b>Total</b>	<b>81</b>	<b>243</b>	<b>6,619</b>	<b>-</b>	<b>6,943</b>

Other loans held by the Company of £0.10m (2017: £0.10m) are repayable on demand.

The Company's financial liabilities include the annual payment of £0.57m (2017: £0.58m) 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 £0.57m 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 in existence as at 30 June 2018 bear interest at LIBOR plus 1.5% (2017: 1.5%) and base rate plus 1.5% (2017: 1.5%) respectively. 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 £12.1m (2017: £12.3m), of which £6.45m is represented by long-term loans and £5.65m by RCF, £5.65m (2017: £5.65m) remains undrawn at the balance sheet date.

#### 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%.

#### 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 (2017: £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.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2018

#### 31. FINANCIAL INSTRUMENTS (CONTINUED)

##### 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 Board consider carefully all significant capital projects and where necessary ensures that the funding of such is achieved through utilisation of the most appropriate funding mechanism whether borrowings or additional equity.

The Board considers all these things by reference to projected costings and budgets, taking into account funding structures and sources and its overall objectives and policies to mitigate risk. Neither the Group nor Company is subject to any regulatory capital requirements.

#### 32. POST BALANCE SHEET EVENTS

Since the balance sheet date we have secured the permanent registrations of Emilio Izaguirre and Youssouf Mulumbu in addition to the temporary transfers of Daniel Arzani and Filip Benkovic. Further expenditure of £1.63m has been committed in acquiring these player registrations.

The registrations of Erik Sviatchenko and Moussa Dembele were disposed of on a permanent basis, with that of Calvin Miller placed on loan. Proceeds for the permanent disposals amounted to €23.2m (approximately £20.7m).

The Group banking facilities were re-negotiated in August 2018 with The Co-Operative Bank PLC. The facilities in place at 30 June 2018 were replaced with a £6.4m term loan, amortising over 5 years, and a £2m revolving credit facility with a 5-year term. There were no changes to security granted to The Co-Operative Bank PLC.

#### 33. 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 £21.57m (2017: £21.98m) with £26.38m (2017: £10.55m) owed from 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 note 9.