



INTERIM REPORT 1999

# Celtic plc

## CHAIRMAN'S STATEMENT

### FINANCIAL RESULTS

Turnover increased by 14.6% to £22.1m. Operating expenses rose by 22.5% to £17.8m. Increased costs are, in the main, directly related to the implementation of the plan to develop the football operation. The increase was exacerbated by the exceptional action the club had to take in response to long-term injuries to key players. The net effect of these factors was a profit from operations of £4.3m compared with £4.8m in the comparable period the previous year which represents a reduction of 9.5%. These results were achieved after playing 14 home games compared with 16 in the first half of 1998/1999, the estimated impact of which was a reduction in turnover and profit from operations of £1.8m and £1.3m respectively.

The planned investment in the first team squad increased the amortisation charge by £925,000 compared with the same period last year. Net profit on the sale of players' registrations includes one transaction concluded just after the end of the period under review. After absorbing interest of £290,000 the profit for the period was £748,000. This is down £1.3m on the previous year, which equates to the estimated impact on profit of playing fewer home games.

### FOOTBALL

The board has instigated significant changes in the football operations management team and made a substantial investment in the first-team playing squad. Improvement is variable and delivery of good and effective team play is inconsistent. In the Scottish Premier League, the team is in a challenging position to secure, through this competition, European qualification for next season. The team has also reached the semi-final of the CIS League Cup.

Following success in the qualifying and first rounds of the UEFA Cup, the fortunes of the team were severely dented following a traumatic leg break sustained by Henrik Larsson, Scotland's Player of the Year, in the first leg of the second round tie against Olympique Lyonnais. The team ultimately lost the tie 2-0 on aggregate. Ian Wright, the experienced England internationalist, was immediately signed to provide striking cover for the remainder of the season.

In pursuing its objectives for sustained success in domestic and European competitions, Celtic has made further changes to the squad profile. During the winter break, Rafael Scheidt, the Brazilian full international central defender aged 23, was signed on a five-year contract. Prior to this, Scottish internationalists Paul Lambert and Jackie McNamara and French left wing back Stephane Mahe signed contract extensions. Four members of the first team squad moved on. Craig Burley and Harald Brattbakk were transferred to Derby County and FC Copenhagen respectively. Veteran defenders Tosh McKinlay and Enrico Annoni were freed by Celtic to pursue their careers with other clubs.

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## CHAIRMAN'S STATEMENT

### INVESTMENTS

The investment policy to focus primarily on increasing the quality of the first team squad has resulted in an investment of £9.98m (1998 - £6.02m). This investment is directed at achieving greater success in Europe with the incremental financial rewards which this will realise. It is from this platform that future ancillary business growth, consistent with the potential of the Celtic brand, can also be achieved. Implementation of this policy continued following the period end with the acquisition of Rafael Scheidt for £4.45m.

Player facilities at Celtic Park were enhanced in the early part of the season by the completion of a new sports science centre incorporating a high quality gymnasium.

The installation of two new LSV screens at each end of the stadium combined with a number of smaller supplementary screen units provided the opportunity to enhance matchday spectator experience through the showing of pre and post match programmes produced by CelticTV. CelticTV has also organised the transmission and reception at Celtic Park of Celtic away matches, six of which were shown in the period to a total paying audience of 45,469. The investment in the period to date of £1.95m in this communication technology and associated infrastructure is laying the foundations for the future growth of Celtic's multimedia and communication activities.

These investments in players and fixed assets have increased borrowings to £9.0m at 31 December 1999. Indebtedness will increase in the second half of the financial year within the Company's bank facility as detailed in note 12 to the financial statements.

### FUTURE OUTLOOK

Turnover growth should be sustained in the second half of the year. The cost of the football operation will continue at higher levels due to the investment in the squad, the opportunity taken to extend existing contracts and the remedial and short term action taken to offset the impact of long-term injuries. As a result, profit from operations will fall short of last year. Profit, if any, for the year will be dependent on progress in the domestic competitions and the timing and impact of player trading.

Following the period end, Celtic announced the largest sponsorship deal in its history with the signing of a five-year partnership agreement with Umbro. Celtic and Umbro have had an ongoing relationship for over 25 years. In addition to the traditional direct sponsorship benefits, a major part of the agreement embraces a joint strategy to maximise and realise the potential of the Celtic brand opportunities worldwide.

In a broader context, your Board is confident that a developed, global Celtic brand with its associated intellectual property will enable the company to take full advantage of the rapid changes taking place in the kindred worlds of sport, entertainment and communications.

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## GROUP PROFIT AND LOSS ACCOUNT

		6 months to 31 December		12 months to 30 June
		1999	1998	1999
	Notes	Unaudited £'000	Unaudited £'000	Audited £'000
<b>TURNOVER</b>	3	<b>22,148</b>	19,328	<b>33,840</b>
OPERATING EXPENSES		<b>(17,836)</b>	(14,562)	<b>(27,086)</b>
<b>PROFIT FROM OPERATIONS</b>		<b>4,312</b>	4,766	<b>6,754</b>
AMORTISATION OF INTANGIBLE FIXED ASSETS		<b>(3,911)</b>	(2,986)	<b>(6,088)</b>
NET GAIN ON SALE OF INTANGIBLE FIXED ASSETS	4	<b>637</b>	415	<b>347</b>
<b>OPERATING PROFIT</b>		<b>1,038</b>	2,195	<b>1,013</b>
INTEREST RECEIVABLE AND SIMILAR INCOME		-	-	-
INTEREST PAYABLE AND SIMILAR CHARGES		<b>(290)</b>	(167)	<b>(463)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>748</b>	2,028	<b>550</b>
TAX ON PROFIT ON ORDINARY ACTIVITIES	5	-	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>748</b>	2,028	<b>550</b>
PREFERENCE DIVIDEND	6	-	-	<b>(533)</b>
<b>RETAINED PROFIT FOR THE PERIOD</b>		<b>748</b>	2,028	<b>17</b>
<b>EARNINGS PER ORDINARY SHARE</b>	7	<b>1.54p</b>	6.07p	<b>0.06p</b>
<b>DILUTED EARNINGS PER SHARE</b>	7	<b>1.57p</b>	4.26p	<b>1.16p</b>

All amounts relate to continuing operations.

There were no gains or losses recognised in any of the above results other than the profit for the period.

# Celtic plc

## GROUP BALANCE SHEET

		31 December		30 June
		1999	1998	1999
		Unaudited	Unaudited	Audited
	Notes	£'000	£'000	£'000
<b>FIXED ASSETS</b>				
Tangible assets	8	<b>46,607</b>	43,759	<b>43,773</b>
Intangible assets	9	<b>17,048</b>	17,483	<b>13,538</b>
		<u>63,655</u>	<u>61,242</u>	<u>57,311</u>
<b>CURRENT ASSETS</b>				
Stocks		<b>1,018</b>	752	<b>532</b>
Debtors	10	<b>5,594</b>	2,337	<b>3,556</b>
Cash at bank and in hand		<b>962</b>	69	<b>1,645</b>
		<u>7,574</u>	<u>3,158</u>	<u>5,733</u>
<b>CREDITORS</b> - Amounts falling due within one year	11	<b>(10,525)</b>	(9,433)	<b>(7,148)</b>
Income deferred less than one year		<b>(7,907)</b>	(5,319)	<b>(8,525)</b>
		<u>(10,858)</u>	<u>(11,594)</u>	<u>(9,940)</u>
<b>NET CURRENT LIABILITIES</b>				
		<u>(10,858)</u>	<u>(11,594)</u>	<u>(9,940)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>52,797</b>	49,648	<b>47,371</b>
<b>CREDITORS</b> - Amounts falling due after more than one year	12	<b>(9,377)</b>	(5,045)	<b>(4,779)</b>
		<u>43,420</u>	<u>44,603</u>	<u>42,592</u>
<b>NET ASSETS</b>				
		<u>43,420</u>	<u>44,603</u>	<u>42,592</u>
<b>CAPITAL AND RESERVES</b>				
Called up equity share capital (includes non-equity)		<b>11,391</b>	11,390	<b>11,390</b>
Share premium		<b>17,440</b>	17,361	<b>17,361</b>
Profit and loss account		<b>14,589</b>	15,852	<b>13,841</b>
		<u>43,420</u>	<u>44,603</u>	<u>42,592</u>
<b>SHAREHOLDERS' FUNDS</b>				
		<u>43,420</u>	<u>44,603</u>	<u>42,592</u>

Approved by the Board on 9 February 2000.

# Celtic plc

## GROUP CASH FLOW STATEMENT

	6 months to 31 December		12 months to 30 June
	1999	1998	1999
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Operating profit	1,038	2,195	1,013
Depreciation	524	487	974
Amortisation	3,911	2,986	6,088
Net gain on sale of intangible fixed assets	(637)	(415)	(347)
Grants release	-	-	(1)
Increase in stocks	(486)	(257)	(37)
Increase in debtors	(406)	(379)	(1,520)
(Decrease)/increase in creditors	(232)	(2,414)	1,707
<b>Net cash inflow from operating activities</b>	<b>3,712</b>	<b>2,203</b>	<b>7,877</b>
<b>CASH FLOW STATEMENT</b>			
Net cash inflow from operating activities	3,712	2,203	7,877
Returns on investments and servicing of finance	(823)	(700)	(996)
Taxation paid	-	(133)	(139)
Capital expenditure and financial investment	(8,288)	(5,448)	(8,250)
Cash outflow before use of liquid resources and financing	(5,399)	(4,078)	(1,508)
Financing	4,716	4,959	4,909
<b>(Decrease)/increase in cash</b>	<b>(683)</b>	<b>881</b>	<b>3,401</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
(Decrease)/increase in cash in the period	(683)	881	3,401
Cash outflow from movement in debt	(4,636)	(4,959)	(4,909)
Change in net funds resulting from cash flows and movement in net funds in the period	(5,319)	(4,078)	(1,508)
Net debt at 1 July	(3,677)	(2,169)	(2,169)
<b>Net debt at period end</b>	<b>(8,996)</b>	<b>(6,247)</b>	<b>(3,677)</b>

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

1. The results for the year ended 30 June 1999 are extracted from the accounts filed with the Registrar of Companies, which contained an unqualified audit report.
2. The interim results for the 6 months to 31 December 1999 have been prepared on the same basis and using the same accounting policies as those used in the preparation of the last full year's accounts to 30 June 1999 save that depreciation is now being provided on buildings in accordance with FRS15 as explained in note 8 below.

### 3. TURNOVER

Turnover comprised:

	6 months to 31 December		12 months to 30 June
	1999	1998	1999
	£'000	£'000	£'000
Ticket sales	9,072	9,497	15,404
Broadcasting fees and publishing	3,160	2,032	4,383
Merchandise revenue	4,290	3,171	5,100
Catering	1,442	1,380	2,647
Other commercial income	4,184	3,248	6,306
	<u>22,148</u>	<u>19,328</u>	<u>33,840</u>
Number of home games	<u>14</u>	<u>16</u>	<u>26</u>

### 4. NET GAIN ON SALE OF INTANGIBLE FIXED ASSETS

In the current period the net gain on sale was represented principally by the disposal of Craig Burley, Enrico Annoni and Harald Brattbakk (12 January 2000); (1998: Malcolm Mackay and Paddy Kelly).

5. After taking account of unutilised tax losses brought forward, together with the projected performance for the next six months, no provision for taxation is required. This is subject to the agreement by the Inland Revenue of prior years' computations.
6. No provision has been made in respect of the 6% dividend (inclusive of tax credit) that will be payable on the preference shares on 31 August 2000 in respect of the year ending 30 June 2000.
7. Earnings per share has been calculated by dividing the profit for the period by the number of ordinary shares (29,125,000) in issue, after taking account of one half of the net dividends noted in 6 above. Diluted earnings per share has been calculated by dividing the profit for the period by the total number of ordinary and preference shares in issue at 31 December 1999, and the full exercise of outstanding share purchase options in accordance with FRS14.

# Celtic plc

## NOTES TO THE FINANCIAL STATEMENTS

### 8. TANGIBLE ASSETS

The increase in fixed assets in the period represents mainly the installation of the LSV screens together with the fit out costs of the new sports science centre incorporating a high quality players' gymnasium. Depreciation is now being provided on buildings in accordance with FRS15. The charge for the current period for those buildings with a useful life of up to 50 years is £10,000. An impairment review has been undertaken in respect of those buildings whose expected life is greater than 50 years and no provision is deemed necessary.

### 9. INTANGIBLE ASSETS

	6 months to 31 December 1999	1998	12 months to 30 June 1999
	£'000	£'000	£'000
<b>Cost</b>			
At 1 July	26,592	22,334	22,334
Additions	9,982	6,028	6,058
Disposals	(7,044)	-	(1,800)
<b>At period end</b>	<b>29,530</b>	28,362	<b>26,592</b>
<b>Amortisation</b>			
At 1 July	13,054	7,893	7,893
Charge for the period	3,911	2,986	6,088
Disposals	(4,483)	-	(927)
<b>At period end</b>	<b>12,482</b>	10,879	<b>13,054</b>
<b>Net Book Value at period end</b>	<b>17,048</b>	17,483	<b>13,538</b>

### 10. DEBTORS

The increase in the level of debtors at 31 December 1999 is primarily a result of an increase in trading activity and the timing of receipts, particularly television income, and in the amounts receivable in instalments in respect of the sale of intangible fixed assets. As at 31 December 1999 the latter amounted to £2,050,000 (1998 - £340,000).

### 11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

The amounts payable in agreed instalments in respect of the transfer of player registrations at 31 December 1999 and included in creditors amounted to £4,204,000 (1998 - £3,750,000).

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## NOTES TO THE FINANCIAL STATEMENTS

### **12. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

The movement is as a result of the drawdown of a bank loan of £8,000,000 in the six months to 31 December 1999, of which £5,000,000 was refinancing an existing facility, and a hire purchase commitment of £1,237,000. The bank loan is repayable in quarterly instalments of £62,500 from October 2009 with the balance of £5,562,500 repayable on 30 July 2019. This is part of a new facility agreed in August 1999 comprising an overdraft of £8.0m together with term loans of £16.0m of which £4,875,000 is repayable in equal quarterly instalments from October 2009 until April 2019 and £11,125,000 is repayable on 30 July 2019.

### **13. TRANSFER FEES PAYABLE/RECEIVABLE**

Under the terms of certain contracts with other football clubs in respect of the transfer of player registrations, additional amounts will be payable/receivable by the Company if specific future conditions are met. Amounts in respect of such contracts could result in an amount payable of £775,000 of which £325,000 could arise within one year, and amounts receivable of £562,500 of which £356,250 could arise within one year.

### **14. POST BALANCE SHEET EVENT**

On 7 January 2000, Celtic acquired the registration of Rafael Scheidt for £4.45m.

# Celtic plc

## **Directors**

Frank O'Callaghan (Non-Executive Chairman)  
Brian Quinn CBE (Non-Executive Vice-Chairman)  
Allan MacDonald OBE (Chief Executive)  
Eric J Riley (Financial)  
Dermot F Desmond (Non-Executive)  
Sir Patrick Sheehy (Non-Executive)  
Kevin Sweeney (Non-Executive)

## **Secretary**

Kevin Sweeney

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

Allan MacDonald OBE (Chairman)  
Kenneth M Dalglish MBE (Football Operations)  
Eric J Riley (Financial)  
David W Kells (Commercial)  
James P Hone (Business Operations and Resources)  
John S Keane (Non-Executive)  
Michael A McDonald (Non-Executive)  
Kevin Sweeney (Non-Executive)

## **Secretary**

Kevin Sweeney

## **Head Coach**

John Barnes