Regulatory Story

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Company	Celtic PLC
TIDM	CCP
Headline	Final Results
Released	07:00 16-Aug-2010
Number	0945R07

RNS Number : 0945R
Celtic PLC
16 August 2010

CELTIC plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2010

SUMMARY OF THE RESULTS

Operational Highlights

- Participation in the Group Stages of the UEFA Europa League.
- 5 home European matches (2009: 3).
- Nike kit sponsorship agreement extended to 30 June 2015.
- New three year shirt sponsorship contract agreed with Tennent's.
- Appointment of Neil Lennon as Celtic football manager.

Financial Highlights

- Group turnover reduced by 15.0% to £61.72m.
- Operating expenses reduced by 6.7% to £57.25m.
- Profit from trading before asset transactions and exceptional items of £4.46m (2009: £11.23m).
- Investment in football personnel of £13.64m (2009: £8.53m).
- Gain on sale of intangible assets of £5.71m (2009: £1.55m).
- Exceptional operating expenses of £3.14m (2009:£2.78m).
- Loss before taxation of £2.13m (2009: £2.00m profit).
- Year-end net bank debt of £5.85m (2009: £1.51m).

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CHAIRMAN'S STATEMENT

With a new football management team in place, this last year started with the hope and desire to establish firm foundations for our future football success. We invested significantly in the playing squad, particularly in the January registration window. Even although we knew then that we had a formidable task ahead in coming from behind and recovering the points deficit at that time, we had a clear sense of purpose - recovery of the SPL title. But regrettably, we fell short of that objective. Neither cup competition provided any comfort.

The unacceptable results on the football pitch meant that a change in the football management team was needed. Some pride was then restored from an unbeaten run in the SPL at the end of the season, with Neil Lennon taking temporary charge. But that does not in any way compensate for the extreme disappointment and frustration we and all Celtic supporters felt last season. It was simply not good enough for this Club and those who support it.

Fortunately, the relatively strong financial position we have insisted in maintaining in recent years has enabled us to continue to rebuild even after last year's set-back. Last year we signed or took on loan 13 new players. Already, under our new management in the new financial year, we have brought in 7 new faces and will continue to seek to enhance our football squad.

But just as football and financial strength are essential partners in progress, so too they affect each other adversely when we are not succeeding as we should.

Thus the combination of the financial/economic recession and disappointing football results have taken their toll in this year's report. Our turnover at £61.72m was well down on £72.59m the previous year. This was predominantly the effect of participation in UEFA Europa League rather than UEFA Champions League but also due to a lower level of season ticket sales, reduced merchandising revenues from one kit launch rather than two, and a drop in domestic media income following the demise of Setanta.

Operating expenses also fell, by £4.10m, to £57.25m leading to a profit from trading before asset transactions and exceptional items, of £4.46m. But after taking account of the extensive changes in playing staff, amortisation on players, a small loss on disposal and allowing for exceptional operating expenses of £3.14m, we have experienced a loss before taxation of £2.13m, against a profit of £2.00m the year before.

Our year end bank debt, net of cash is £5.85m, sustainable but up on £1.51m the year before. This is reflective, in part, of the hefty investment made in football personnel during the year - £13.64m - significantly higher than the £8.53m of 2009. Not surprisingly, against a backdrop of a substantial decrease in overall revenue, our ratio of total labour costs to turnover has risen from 53.4% to 59.11%, although our absolute wage cost of £38.75m in 2009 reduced to £36.48m in 2010.

When considered in the context of the season that we had, and the changes that had to be made as a result of poor football results, this outcome, heavily influenced by exceptional costs, is not overly disappointing. But we must try to ensure that it is not repeated in the coming year. That will not be straightforward.

Some of the major factors that are likely to affect our business, such as the economic environment and consumer confidence, are not within our control. Such difficult economic times make even more important our charitable work and the work that we as a Club continue to do in the community, including in some of the most deprived areas. But the economic context of Scottish football obviously also has a direct commercial impact on the Club and our supporters. Season tickets sales were down on the record of 54,252 the year before, and the Board believes this trend is set to continue this year, notwithstanding the continuing ticket price freeze, maintenance of concessionary schemes and the new instalment plans.

Our financial strength and management of resources have stood us in good stead to date and we aim to ensure that remains the case, investing where and when we can and taking up new opportunities when they arise. At the time of writing 7 new first team players have joined, and 3 have departed. Our new contract with Tennent's as our shirt sponsor commenced on 1 July, as did the 5 year extension with NIKE, renewal with our online retail partner Kitbag, and a new vehicle sponsor agreement with another blue-chip brand, Lomond Audi.

But the general picture of a constrained economic environment places a further premium on success throughout our scouting, sports science and Academy development. In the coming year our trading will also be put under greater pressure than has been the case for some time, and the performance of our football management team and players will be placed under even more scrutiny than normal.

But one great feature of football, and this great Club, is that each new season provides an opportunity to put past failures behind us, to learn from them and restore our place as Scottish champions. That is precisely what we aim to do with a new football management team under Neil Lennon, a revitalised playing squad and crucially, your support, for which I once again thank you on behalf of everyone at the Club.

Dr John Reid **13 August 2010**
Chairman

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

Put simply, 2009/10 failed to generate the football results we had all hoped that a new football managerial team and substantial investment in players would bring. The overhaul of the playing squad and adoption of a different ideology into an embryonic first team yielded little reward, with the senior side ultimately unable to capture a major trophy.

However, the appointment of Neil Lennon, a Celtic legend and former captain, supported by Johan Mjallby as Assistant Manager, Alan Thompson and Garry Parker have raised morale and renewed optimism.

FINANCIAL PERFORMANCE

As was noted in last year's review much of the football sector continues to be challenged financially. Many clubs are heavily in debt, have seen revenues shrinking and are incurring ongoing losses. Lucrative television contracts in the English Premier League have resulted in wage and transfer fee inflation in the UK and also around Europe that is clearly becoming unsustainable.

Trading conditions have been and continue to be extremely difficult. This is reflected in Celtic's trading results for the year to 30 June 2010, which reflect participation in the UEFA Europa League as compared to the more lucrative Champions League Group Stage last year.

In the year to 30 June 2010 turnover reduced to £61.72m, with total operating expenses falling by approximately £4.10m, 6.7% to £57.25m. Much of this cost saving is as a result of a reduction in cost of sales, labour, utilities and other operational overheads. This is the second successive year of overhead savings as tight control is exercised over costs in an environment of declining revenues.

Nevertheless, during the financial year to 30 June 2010, £13.64m was invested in strengthening the first team squad and management team. In addition a gain on sale of £5.71m resulted from the sales of Caldwell, Donati, Fox, McDonald and Robson. This compared to £1.55m last year. Exceptional costs of £3.14m were incurred in comparison to £2.78m last year. This in the main relates to costs associated with the early termination of certain employment contracts.

As a result of the above, and after these exceptional costs, the Company announced a retained loss for the year to 30 June 2010 of £2.13m which compares with the previous year's profit of £2.00m. Further details can be found in the Director's Review.

FOOTBALL INVESTMENT

Planned acquisitions and sales of players and the development of younger players continue to be integral elements of the Club's long-term strategy. As in recent seasons all new signings and contract extensions must be at a financially viable level.

New signings included Marc-Antoine Fortune, Lukas Zaluska, Dominic Cervi, Josh Thompson, Morten Rasmussen, Paul Slane, Ki Sung Yueng, Jos Hooiveld and Thomas Rogne. In addition, loan signings included Landry N'Guemo, Edson Braafheid, Diomansy Kamara and the much-heralded Robbie Keane.

Departures in season 2009/10 included Scott Cuthbert, Massimo Donati, Willo Flood, Daniel Fox, Scott McDonald, Barry Robson and Gary Caldwell, whilst other players went out on loan deals, including Stephen McManus, Darren O'Dea and Cillian Sheridan. Some contracts were not extended upon expiry, including those of Zheng Zhi and Lee Naylor.

21 members of Celtic's first team squad received senior international call-ups during the course of the 2009/10 season, spanning a dozen nations, with Ki Sung Yueng and Georgios Samaras both acquitting themselves admirably at the World Cup in South Africa.

The Club plans to further strengthen the first team squad under Neil Lennon, whilst continuing to manage our financial resources responsibly. The signings of Charlie Mulgrew, Daryl Murphy, Gary Hooper, Biram Kayal, Cha Du-Ri, fellow World Cup participant Efrain Juarez and highly regarded Welsh Internationalist Joe Ledley prior to the start of the new campaign signal the Club's intent. Meanwhile former mainstays Stephen McManus and Artur Boruc departed in the Summer. The Club wishes them well and thanks them for their respective contributions.

FOOTBALL OPERATIONS

During season 2009/10 the Club played 54 competitive first team matches, winning 31, drawing 9 and losing 14.

There was no 'Reserve' Scottish Premier League competition last season. As a result, the first team player pool incorporated players previously classified as reserve team players. This provided the Club with the opportunity to develop and train such players by organizing and playing 'behind closed door' matches with top sides in England, Ireland and Scotland on a regular basis.

YOUTH ACADEMY

There were a number of structural and personnel changes during the course of season 2009/10, which saw a continuation of the success enjoyed in recent years by Celtic's youth teams.

The Under 19s won the SPL Youth League title and beat Rangers in the final of the SFA Youth Cup, with a number of young players earning international honours and graduating to the first team squad during the season. They also finished as runners-up to Liverpool following a penalty shootout in the prestigious Villarreal Tournament.

Our Under 17s also performed well in 2009/10 whilst our Intermediate Under 15 and Under 13 sides went through the season undefeated.

At the Junior level we introduced new teams at Under 8 and 9 age groups, whilst in June our Under 12 team won a European Trophy in the Czech Republic.

TICKET SALES

Season 2009/10 was a challenging one for the Ticket Office, although over 48,000 standard season tickets were sold with a value of more than £16million.

Match ticket sales of over 240,000 generated revenue in excess of £6.5million, whilst the sale of tickets for both Champions League and Europa League matches accounted for over 210,000 ticket sales at a value of £4.7million.

CELTIC DEVELOPMENT

Around £760,000 was donated to Celtic Football Club's Development Division from Celtic Development Pools for the purposes of youth development, whilst supporters from all over the country won nearly £1million in prize money.

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

Supporters have benefitted too: the Paradise Windfall match day lottery continues to be very popular, with a top prize of £9,000 on offer. Prize money of approximately £2.1million has now been paid out to Celtic supporters on the pitch at Celtic Park since the start of the Windfall in 1995.

CELTIC FOUNDATION

The Celtic Foundation continues to promote the Club's social dimension, reflecting the reasons Celtic came into being in the 1880s. It incorporates the following key strands:

- Charitable work
- Celtic learning programmes
- Community coaching programmes
- Community Academies aimed at children, youths and adults
- Celtic women's teams
- 'Sport for Life' programmes

We are delighted to have the support of Billy Connolly as Patron of the Celtic Foundation and Elaine C. Smith as Patron on the Celtic girls' and women's programme.

The Club's community programme has attracted over 2,500,000 young people and adults from throughout Scotland, Ireland and beyond in the 7 years since its inception. Currently over 6,500 participants attend programmes run by The Celtic Foundation each week.

Currently 50 Community Academy teams operate throughout Scotland. The aim is to establish a further 15 teams during season 2010/11. This 'Play for Celtic' programme also operates as a scouting cell for the Club with around 35 youngsters having graduated from the Community Academy into the Celtic Youth Academy in recent years.

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

- Health and wellbeing
- Lifelong learning
- Safer communities
- Unemployment

These activities are indicative of the importance Celtic attaches to its role in the community. The Celtic Foundation reinforces that role and the importance the Club attaches to working alongside key partners to deliver key policy direction set by local and central government.

The Celtic Foundation currently runs community sports programmes in football, basketball, netball and athletics for primary and secondary school pupils throughout Glasgow. The main aim of these programmes is to encourage young people to live a healthier lifestyle.

The Girls' Academy and Women's senior teams represent the most sought after programme in the country for female footballers. The progress made in the past year has been outstanding with successes at all levels, the latest of which have been winning the Premier League Cup and Football League Cup.

MERCHANDISING

Merchandising revenue for the year reached £15.50m. This was 9.8% down on the previous year, mainly due to the timing of kit launches. The 'bumble bee' away kit was a huge success, making it one of our best selling strips ever. New home and away kits are being launched for the coming season.

We opened a new retail unit in Braehead during the year, taking our total number of outlets to 15.

The sale of personalised bricks continued to be a strong performer and these can now be purchased for the prestigious tunnel area. Meanwhile this Autumn will see the release of an official biography of Jimmy Johnstone and the complete Henrik Larsson and an updated John Hartson story on DVD.

MULTI MEDIA

Channel 67, the Club's online portal to live matches, is now in its 12th year and continues to provide live quality streams of Celtic matches to the world wide fan base. In addition to live games, in January the Club brought the daily magazine programme 'The Huddle' to Channel 67 as 'The Huddle Online'.

The official Club website, Celticfc.net, is currently being revamped after three years in its present form and will be re-launched in Autumn 2010 to include new functionality and social networking facilities.

PUBLIC RELATIONS

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

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

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

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

BRAND PROTECTION

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

Counterfeit goods to the value of approximately £400,000 were removed from the marketplace during the year, along with a number of websites found to be offering unofficial Celtic goods and services.

PARTNER PROGRAMME

Despite a tough economic environment, which finds many big clubs and competitions still looking for sponsors, we are delighted to welcome Tennent's as our new shirt sponsor. Tennent's have been involved in Scottish football for the past 36 years and we look forward to working with this prestigious Scottish brand over the coming years.

In July this year we were also delighted to announce Lomond Audi Group as the Club's new Official Vehicle Sponsor.

The sponsorship market continues to be difficult but with blue chip partners such as Nike, Tennent's, Thomas Cook, Bank of America, Lomond Audi and others we have a strong base as we continue to look for new opportunities.

STADIUM

Spectator safety remains of paramount importance for fans attending matches both home and away. During the course of the year Celtic continued to work in close partnership with Glasgow City Council's Safety Team for Sports Grounds, placing spectator safety as our highest priority.

The training of colleagues responsible for public safety duties continued. Those responsible for the management of spectator safety are now qualified and accredited in compliance with industry guidelines and the training of safety stewards continues to be prioritised. Protectevent stewards participated in a new accredited training programme leading to an SVQ qualification in Event Stewarding. In addition, the Club continued to provide an input to the Match Commander's training programme, held at the Scottish Police College.

During the course of the year the Club was delighted to host three major exercises and seminars specifically aimed at enhancing spectator safety. The seminars were delivered in partnership with the Strathclyde Emergencies Coordination Group, Strathclyde Police and the Football Safety Officers Association (Scotland).

FACILITIES

The Facilities department undertook a number of maintenance and refurbishment projects during another busy year, including corporate lounges and hospitality areas as well as retail outlets and at the training ground in Lennoxtown. Members of the team advanced their own professional skills and competence by securing related industry qualifications.

Further streamlining of purchasing procedures resulted in significant improvements in efficiency and cost reduction, and the introduction of enhanced procedural controls.

Special mention must be made of the quality of our playing surface at Celtic Park. Grass cover was maintained at a very high level during one of the worst winters for some years. Our SGL lighting system has certainly played a part in maintaining pitch standards, whilst construction of an additional training pitch at Lennoxtown is now nearing completion. In November 2009 the Celtic groundstaff were recognised with two industry awards: one for Premier League Pitch of the Year and the other for our Head Groundsman John Hayes as Professional Groundsman of the Year.

CATERING AND CORPORATE HOSPITALITY

This season was particularly challenging as organisations booking venues for conferences reined back spending. As a result the number of attendees for conference and banqueting events was lower than in previous years. Potential cuts in public spending in the coming year also mean that trading conditions will remain difficult for some time to come.

However, the Number 7 Restaurant continued to perform well for Sunday lunches and the Children's Menu received a Gold accreditation from the Soil Association as part of their Food For Life scheme.

On match days our stadium operator Lindley Catering has experienced a reduction in their revenue stream due to lower attendances, although sales in the cash areas located within the hospitality lounges performed well.

Celtic achieved special recognition at the official football hospitality awards where we were overall winner for match day experience in Scotland.

Despite a drop in group bookings from Ireland and fewer school group tours, the Visitor Centre remains popular, with visitors including various Celtic supporter clubs from Italy, Spain and Germany.

SUPPORTER RELATIONS

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

The number of supporters' details held in the database has continued to grow, with a 24% increase in contacts over the year.

We intend to implement new elements over the next few months to provide increased functionality and sophistication in areas such as e-mail marketing, while also reducing operating costs.

CELTIC CHARITY FUND

The Charity Fund is a charitable trust, independent of the Club, which was founded to provide support for those in society in great need and upholding the values for which the Club itself was founded, We congratulate the Charity Fund's Trustees on another very successful year and are happy to include a detailed report on the Fund's activities on pages 61 to 64 to assist in publicising the work that it does.

The Club is proud to have been able to assist Celtic Charity Fund again during the year, hosting the Club Couture Show, Charity Abseil, Charity Cup, ribbon day and annual sporting dinner.

HUMAN RESOURCES

As a consequence of the economic downturn, salaries were frozen for a second successive year and we embarked on a limited rationalisation programme to reduce our fixed employment costs and increase flexibility. A small number of job losses were a regrettable but unavoidable consequence of this exercise.

However, despite a difficult financial climate shared by many other businesses, we remain committed to developing colleagues and becoming an employer of choice. We continue to invest in training and technology, remuneration and benefits are regularly reviewed and benchmarked, and employee welfare remains an important consideration.

Another 33 pupils from local schools enjoyed a week of structured work experience at Celtic Park during the year. This is a highly successful ongoing programme open to all, which has received plaudits from pupils, parents and the education authorities.

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

SUMMARY AND OUTLOOK

We as the second placed club in the SPL had to negotiate the qualifying rounds of the UEFA Champions League once again. We entered the competition at qualifying round 3 with a very difficult tie against SC Braga of Portugal. Across the two legs we failed to overcome Braga and therefore now look to qualify for the UEFA Europa League.

Results on the pitch continue to be the major influence on trading performance. Our failure to recapture the Scottish Premier League title last year, and its impact on European qualification, had a detrimental effect on our profit performance in 2009/10. Nevertheless, sensible cost management and effective financial controls, in addition to the gains reported from player trading, mitigated the negative impact, resulting in reasonable financial results from underlying trading, before assets transactions and exceptional items again for the year to 30 June 2010, though much reduced on last year.

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

Trading at the beginning of the new financial year has been challenging in a difficult market place. We look to maximise revenues and develop the Celtic brand, which together with the ongoing management of costs should enable us to maintain a sustainable business model.

It is imperative that we re-establish domestic success and compete successfully, particularly in the Clydesdale Bank Scottish Premier league. The gap with major European nations widens and the cost of attracting quality new players is a significant factor. Although better placed in financial terms than many clubs, careful and patient use of our financial resources must characterise our efforts to strengthen the first team squad.

Since the beginning of the new financial year we have invested sizeable sums in enhancing our first team squad. As well as bringing in additional talent, we have acquired a number of exciting young players with valuable potential for further development.

We will continue to invest strategically on our technical functions, talent identification, Academy, Sports Science and performance analysis, with player trading having a greater impact on our overall performance, whilst maintaining the objective of achieving excellence.

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

Peter Lawwell **13 August 2010**
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2010			2009		
		Operations excluding intangible asset trading £000	Intangible asset trading £000	Total £000	Operations excluding intangible asset trading £000	Intangible asset trading £000	Total £000
Continuing operations:							
Revenue	2	61,715	-	61,715	72,587	-	72,587
Operating expenses (excluding exceptional operating expenses)	2	(57,254)	-	(57,254)	(61,358)	-	(61,358)
Profit from trading before asset transactions and exceptional items		4,461	-	4,461	11,229	-	11,229
Exceptional operating expenses	3	(1,718)	(1,422)	(3,140)	(1,985)	(797)	(2,782)
Amortisation of intangible assets		-	(8,350)	(8,350)	-	(7,434)	(7,434)
Profit on disposal of intangible assets		-	5,712	5,712	-	1,546	1,546
(Loss) /profit on disposal of property, plant and equipment		(100)	-	(100)	231	-	231
Operating (loss) / profit		2,643	(4,060)	(1,417)	9,475	(6,685)	2,790
Finance costs:							
Bank loans and overdrafts				(170)			(243)
Convertible Cumulative Preference Shares	4			(544)			(544)
Profit before tax				(2,131)			2,003
Income tax expense	5			-			-
(Loss) / profit and total comprehensive income for the year				(2,131)			2,003
(Loss) / profit attributable to equity holders of the parent				(2,131)			2,003
Total comprehensive income attributable to equity holders of the parent				(2,131)			2,003
Basic (loss) / earnings per Ordinary Share for continuing operations	6			(2.37p)			2.24p
Diluted (loss) / earnings per share for continuing operations	6			(1.17p)			1.87p

CONSOLIDATED BALANCE SHEET

	2010 £000	2009 £000 Restated
Assets		
Non-current assets		
Property, plant and equipment	55,854	56,689
Intangible assets	13,769	12,145
	69,623	68,834
Current assets		
Inventories	1,775	2,020
Trade and other receivables	6,845	4,427
Cash and cash equivalents	5,867	10,489
	14,487	16,936
Total assets	84,110	85,770
Equity		
Issued share capital	24,246	24,204
Share premium	14,359	14,309
Other reserve	21,222	21,222
Capital reserve	2,646	2,686
Accumulated losses	(22,613)	(20,482)
Total equity	39,860	41,939

Non-current liabilities		
Interest-bearing liabilities/bank loans	**11,344**	11,719
Debt element of Convertible Cumulative Preference Shares	**4,438**	4,438
Deferred income	**183**	254
	15,965	16,411
Current liabilities		
Trade and other payables	**15,978**	14,188
Current borrowings	**511**	421
Deferred income	**11,796**	12,811
	28,285	27,420
Total liabilities	**44,250**	43,831
Total equity and liabilities	**84,110**	85,770

Approved by the Board on 13 August 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group - restated	Share capital	Share premium	Other reserve	Capital reserve	Restated Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Equity shareholders' funds as at 1 July 2008	**24,122**	**14,205**	**21,222**	**2,766**	**(21,074)**	**41,241**
Prior year adjustment (See Note 7)	-	-	-	-	(1,411)	(1,411)
Equity shareholders' funds as at 1 July 2008 - restated	**24,122**	**14,205**	**21,222**	**2,766**	**(22,485)**	**39,830**
Share capital issued	2	104	-	-	-	106
Transfer from capital reserve	80	-	-	(80)	-	-
Profit for the period	-	-	-	-	2,003	2,003
Equity shareholders' funds as at 30 June 2009	**24,204**	**14,309**	**21,222**	**2,686**	**(20,482)**	**41,939**
Share capital issued	2	50	-	-	-	52
Transfer from capital reserve	40	-	-	(40)	-	-
Loss for the period	-	-	-	-	(2,131)	(2,131)
Equity shareholders' funds as at 30 June 2010	**24,246**	**14,359**	**21,222**	**2,646**	**(22,613)**	**39,860**

CONSOLIDATED CASH FLOW STATEMENT

	2010 £000	2009 £000
Cash flows from operating activities		
(Loss) / profit for the year	(2,131)	2,003
Depreciation	1,986	2,204
Amortisation of intangible assets	8,350	7,434
Impairment of intangible assets	1,422	797
Profit on disposal of intangible assets	(5,712)	(1,546)
Loss / (profit) on disposal of property, plant and equipment	100	(231)
Finance costs	714	787
Sub total	4,729	11,448
Decrease in inventories	245	390
Decrease / (increase) in receivables	1,081	(406)
(Increase)/decrease in payables and deferred income	(2,611)	(2,415)
Cash generated from operations	3,444	9,017
Interest paid	(170)	(243)
Net cash flow from operating activities - A	3,274	8,774
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,208)	(3,574)
Purchase of intangible assets	(10,330)	(6,970)
Proceeds from sale of property, plant and equipment	-	596
Proceeds from sale of intangible assets	4,421	3,639
Net cash used in investing activities - B	(7,117)	(6,309)
Cash flows from financing activities		
Repayment of debt	(286)	(14)
Dividends paid	(493)	(437)
Net cash used in financing activities - C	(779)	(451)
Net (decrease) / increase in cash equivalents A+B+C	(4,622)	2,014
Cash and cash equivalents at 1 July	10,489	8,475
Cash and cash equivalents at 30 June	5,867	10,489

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These Financial Statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The prior year figures for 2009 have been restated following the recalculation of the debt element of the Convertible Cumulative Preference Shares as per Note 7. The accounting policies have been consistently applied to both years presented.

2. REVENUE AND OPERATING EXPENSES

	2010	2009
REVENUE	£000	£000
The Group's revenue comprised:		
Football and Stadium Operations	35,507	36,534
Merchandising	15,496	17,180
Multimedia and Other Commercial Activities	10,712	18,873
	61,715	72,587

	2010	2009
OPERATING EXPENSES	£000	£000
The Group's operating expenses comprised:		
Football and Stadium Operations (excluding exceptional items and asset transactions)	45,381	49,290
Exceptional items and asset transactions:		
Early termination of employment contracts	1,718	1,985
Impairment of intangible assets	1,422	797
Amortisation of intangible assets	8,350	7,434
Profit on disposal of intangible assets	(5,712)	(1,546)
Loss/(profit) on disposal of property, plant and equipment	100	(231)
Total Football and Stadium Operations	51,259	57,729
Merchandising	9,951	10,319
Multimedia and Other Commercial Activities	1,922	1,749
	63,132	69,797

3. EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £3.14m (2009: £2.78m) can be analysed as follows:

Exceptional operating expenses comprised	2010	2009
	£000	£000
Impairment of intangible assets	1,422	797
Compromise payments on contract termination	1,703	1,960
Ancillary direct costs	15	25
	3,140	2,782

4. DIVIDENDS

A 6% (before tax credit deduction) non-equity dividend of £0.54m (2009: £0.54m) is payable on 1 September 2010 to those holders of Convertible Cumulative Preference Shares on the share register at 30 July 2010. On 31 August 2007 the entitlement to a dividend on the Convertible Preferred Ordinary Shares ceased. A number of shareholders have elected to participate in the Company's scrip dividend reinvestment scheme for this financial year. Those shareholders will receive new Ordinary Shares in lieu of cash. The implementation of the presentational aspects of IAS32 ("Financial Instruments: disclosure") in the preparation of the annual results, requires that the Group's Preference Shares and Convertible Preferred Ordinary Shares, as compound financial instruments, are classified as a combination of debt and equity and the attributable non-equity dividends are classified as finance costs. No dividends were payable or proposed to be payable on the Company's Ordinary Shares.

5. TAXATION

No provision for corporation tax or deferred tax is required in respect of the year ended 30 June 2010. Estimated tax losses available for set-off against future trading profits amount to approximately £26m (2009: £25m) and, in addition, the available capital allowances pool is approximately £17.10m (2009: £16.30m). These estimates are subject to the agreement of the current and prior years' corporation tax computations with H M Revenue and Customs.

6. EARNINGS PER SHARE

	2010	2009
	£000	£000
Reconciliation of net (loss) / profit to basic (loss) / earnings:		
Net (loss) / profit attributable to equity holders of the parent	(2,131)	2,003
Basic (loss) / earnings	(2,131)	2,003
Reconciliation of basic (loss) / earnings to diluted (loss) / earnings:		
Basic (loss) / earnings	(2,131)	2,003
Non-equity share dividend	544	544
Diluted (loss) / earnings	(1,587)	2,547
	No.'000	No.'000
Reconciliation of basic weighted average number of ordinary shares to		

diluted weighted average number of ordinary shares:

Basic weighted average number of ordinary shares	**89,873**	89,584
Dilutive effect of convertible shares	**46,257**	46,346
Diluted weighted average number of ordinary shares	**136,130**	135,930

Loss per share has been calculated by dividing the loss for the period of £2.13m (2009: £2.00m profit) by the weighted average number of Ordinary Shares of 89.87m (2009: 89.58 m) in issue during the year. Diluted loss per share as at 30 June 2010 has been calculated by dividing the loss for the period by the weighted average number of Ordinary Shares, Preference Shares and Convertible Preferred Ordinary Shares in issue, assuming conversion at the balance sheet date, and the full exercise of outstanding share purchase options, if dilutive, in accordance with IAS33 Earnings Per Share. As at June 2010 and June 2009 no account was taken of potential share purchase options, as these potential Ordinary Shares were not considered to be dilutive under the definitions of the applicable accounting standards.

7. PRIOR YEAR ADJUSTMENT- Group and Company

Following a review of the accounting treatment of the debt element of the Cumulative Convertible Preference Shares, an adjustment has been required which has resulted in the debt element of the Cumulative Convertible Preference Shares increasing by £1.41m from £3.03m to £4.44m, and reserves reducing by £1.41m as noted in the statements of changes in equity above. This adjustment had no impact on reported profitability in either of the years ended 30 June 2010 or 30 June 2009.

8. ANNUAL REPORT & ACCOUNTS

Copies of the Annual Report & Accounts together with the Notice and Notes of the 2010 AGM will be issued to all shareholders in due course.

The financial information set out above was approved by the directors on 13August 2010 and does not constitute the Company's statutory accounts for the years ended 30 June 2010 or 30 June 2009. The auditors' opinion on the 2010 statutory accounts is unmodified and does not include a statement under Sections 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2009 have been filed and those for 2010 will be delivered to the Registrar of Companies in due course.

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