Celtic PLC

Announcement of Results for the year ended 30 June 2018

SUMMARY OF THE RESULTS

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)[1]

[1]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.

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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 cash net of bank borrowings 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 the Results). 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 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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2018 £000	2017 £000
CONTINUING OPERATIONS:			
Revenue	2	**101,573**	90,639
Operating expenses (before intangible asset transactions and exceptional items)	2	**(87,083)**	(76,329)
Profit from trading before intangible asset transactions and exceptional items		**14,490**	14,310
Exceptional operating expenses	3	**(4,141)**	(1,526)
Amortisation of intangible assets		**(8,768)**	(7,546)
Profit on disposal of intangible assets		**16,454**	2,279
Operating profit		**18,035**	7,517
Finance income		**216**	204
Finance expense		**(980)**	(824)
Profit before tax		**17,271**	6,897
Income tax expense	5	**(1,848)**	-
Profit and total comprehensive income for the year		**15,423**	6,897
Basic earnings per Ordinary Share for the year	6	**16.47p**	7.38p
Diluted earnings per Share for the year	6	**11.72p**	5.46p

CONSOLIDATED BALANCE SHEET

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserve	Capital reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Equity shareholders' funds as at 1 July 2016	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
Equity shareholders' funds as at 30 June 2017	**27,107**	**14,657**	**21,222**	**-**	**(5,563)**	**57,423**
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**
Equity shareholders' funds as at 30 June 2018	**27,132**	**14,720**	**21,222**	**-**	**9,860**	**72,934**

CONSOLIDATED CASH FLOW STATEMENT

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the year		**15,423**	6,897
Income tax expense	5	**1,848**	-
Depreciation		**1,977**	1,664
Amortisation of intangible assets		**8,768**	7,546
Impairment of intangible assets		**214**	287
Reversal of prior period impairment charge		**-**	(64)
Profit on disposal of intangible assets		**(16,454)**	(2,279)
Loss on disposal of property, plant and equipment		**-**	198
Net Finance costs		**764**	620
		12,540	14,869
(Increase) / decrease in inventories		**7**	(525)
(Increase) in receivables		**(6,142)**	(687)
Increase in payables and deferred income		**17,378**	2,435
Cash generated from operations		**23,783**	16,092
Tax paid		**(707)**	-
Net Interest paid		**(47)**	(95)
Net cash flow from operating activities		**23,029**	15,997
Cash flows from investing activities			
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
Net cash used in investing activities		**(4,285)**	(1,244)
Cash flows from financing activities			
Repayment of debt		**(200)**	(200)
Dividend on Convertible Cumulative Preference Shares		**(486)**	(498)
Net cash used in financing activities		**(686)**	(698)
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		**42,563**	24,505

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial information in this preliminary announcement has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs) but does not include all of the disclosures that would be required under IFRSs. The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 30 June 2017 and are those which will form the basis of the 2018 financial statements.

2. REVENUE

	2018 £000	2017 £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

3. EXCEPTIONAL OPERATING EXPENSES

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

Exceptional operating expenses comprised	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
Compromise payments on contract termination	**81**	299
	4,141	1,526

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 contact 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.

4. 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.

5. 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 and prior years' corporation tax computations with H M Revenue and Customs.

6. EARNINGS PER SHARE

	2018	2017
	£000	£000
Reconciliation of earnings to basic earnings:		
Net earnings attributable to equity holders of the parent	**15,423**	6,897
Basic earnings	**15,423**	6,897
Reconciliation of basic earnings to diluted earnings:		
Basic earnings	**15,423**	6,897
Non-equity share dividend	**573**	577
Reclaim of statute barred non-equity share dividends	**-**	(19)
Diluted earnings	**15,996**	7,455
	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	**93,663**	93,403
Dilutive effect of convertible shares	**42,803**	43,041
Diluted weighted average number of ordinary shares	**136,466**	136,444

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.

7. ANNUAL REPORT & FINANCIAL STATEMENTS

Copies of the Annual Report & Financial Statements together with the Notice and Notes of the 2018 AGM will be issued to all shareholders in due course.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 30 June 2018 or 30 June 2017. The Independent Auditor's Reports on the statutory financial statements for 2018 and 2017 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The statutory financial statements for 2017 have been filed with the Registrar of Companies and those for 2018 will be delivered to the Registrar of Companies in due course.