Celtic plc

Interim Report

December 2019

Celtic plc (the "Company")

INTERIM REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2019

Operational Highlights

- Currently top of the SPFL Premiership
- Winners of the Scottish League Cup for the fourth season in a row
- 21 home fixtures (2018: 17)
- Secured qualification for the round of 32 of the UEFA Europa League for the third year in a row
- Conclusion of the most successful decade in the history of the club with 18 trophies won

Financial Highlights

- Revenue increased by 6.6% to £53.3m (2018: £50.0m)
- Profit from trading was £7.1m (2018: £6.2m)
- Profit from transfer of player registrations (shown as profit on disposal of intangible assets) £23.0m (2018: £17.6m)
- Profit before taxation of £24.4m (2018: £18.8m)
- Acquisition of player registrations of £15.0m (2018: £1.9m)
- Period end net cash at bank of £32.9m (2018: £38.6m)
- Period end net cash, net of debt and debt like items, of £45.1m (2018: £37.7m)[1]

[1] net cash, net of debt like items, is represented by cash net of bank borrowings of £32.9m (2018: £38.6m) further adjusted for other debt like items, namely the net player trading balance, other loans and remuneration balances payable to certain personnel at the balance sheet date.

Celtic plc

CHAIRMAN'S STATEMENT

I am pleased to report another strong set of interim results, for the six months ended 31 December 2019. These show revenues of £53.3m (2018: £50.0m) and a profit before taxation of £24.4m (2018: £18.8m) that included a profit from trading of £7.1m (2018: £6.2m). Period end net cash at bank was £32.9m (2018: £38.6m). The introductory page to these interim results summarises the main highlights.

Following the permanent appointment of Neil Lennon in May 2019 and the securing of an unprecedented "Treble-Treble", the Club entered the new season with optimism. Whilst we were disappointed not to qualify for the UEFA Champions League, Neil and the team quickly put this set back behind them and took on the challenge of a testing Europa League group. They performed with real distinction by winning the group with a match to spare, a first-time achievement, and defeating an Italian Club on its home soil which was also a first for Celtic in the current format of competitive European football. The Club went on to secure its tenth consecutive domestic trophy by defeating Rangers FC in the Betfred Cup Final in December 2019. As 2019 drew to a close the Club reflected on the most successful decade in its history, having won 18 trophies from a possible 30.

Whilst the financial results were absent of the enhanced income associated with Champions League Football for a second year, the overall financial performance improved. In addition to significant gains from player sales, the underlying trading remained buoyant through revenues from commercial arrangements, match day sales, hospitality and merchandising. The profit on disposal of intangible assets recognised in the period amounted to £23.0m (2018: £17.6m). A key contributor was the sale of Kieran Tierney to Arsenal FC. Our period end net cash at bank of £32.9m (2018: £38.6m).

Crucially, we continue to commit substantial funds to our football department. Salaries have increased over the same period last year and in the summer and winter transfer windows 2019/2020 we invested in ten new player registrations. During the period under review, we secured the permanent registrations of Christopher Jullien, Hatem Abd Elhamed, Boli Bolingoli, Greg Taylor, Jeremie Frimpong, Luca Connell, Lee O'Connor and Jonathan Afolabi as well as acquiring the temporary registrations of Fraser Forster, Moritz Bauer and Mohamed Elyounoussi. In addition, we extended the contracts of James Forrest, Callum McGregor, Nir Bitton, Michael Johnston and Scott Bain. In the January transfer window we subsequently acquired the permanent registrations of Patryk Klimala and Ismaila Soro. And we continued to supplement our first team by developing our own emerging talent, with Karamoko Dembele beginning to secure more first team appearances in recent months and Michael Johnston becoming a regular first team player.

At the time of writing, we sit at the top of the Scottish Premier League having secured 67 points which equates to 10 more than the same stage last season after 25 matches played. By almost all key footballing measures, performance has improved relative to the same period last year.

The Board is keenly aware of the inherent volatility that exists in football and continues to adopt the self-sustaining financial operating model that has delivered stability and the all-important objective of football success. We will continue to pursue this strategy, whilst balancing the key short term objectives of retaining the SPFL Premiership title, the Scottish Cup and advancing in Europe.

As in previous years, our trading seasonality dictates that the financial performance in the second half of the financial year ended June 2020 will most likely be lower than the first half, owing to playing less home matches and the expectation of receiving less distributions from UEFA competition.

Finally, on behalf of the Board I would like to reiterate to our supporters, shareholders and partners that their commitment is greatly appreciated and their contribution has been once again outstanding in helping to deliver continued success.

Ian P Bankier
7 February 2020
Chairman

Celtic plc

INDEPENDENT REVIEW REPORT TO CELTIC PLC

Introduction

We have been engaged by the Company to review the financial information in the interim report for the six months ended 31 December 2019 which comprises the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the interim report be presented and prepared in a form consistent with that which will be adopted in the Company's annual financial statements having regard to the accounting standards applicable to such annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the interim report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

INDEPENDENT REVIEW REPORT TO CELTIC PLC

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
Glasgow
United Kingdom
Date 7 February 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS TO 31 DECEMBER 2019

	Note	2019 Unaudited £000	2018 Unaudited £000
Revenue	2	**53,335**	50,015
Operating expenses (before intangible asset transactions)		**(46,274)**	(43,823)
Profit from trading before intangible asset transactions		**7,061**	6,192
Amortisation of intangible assets		**(5,874)**	(4,787)
Profit on disposal of intangible assets		**23,021**	17,563
Operating profit		**24,208**	18,968
Finance income	3	**743**	531
Finance expense	3	**(532)**	(700)
Profit before tax		**24,419**	18,799
Income tax expense	4	**(5,091)**	(3,576)
Profit and total comprehensive income for the period		**19,328**	15,223
Basic earnings per Ordinary Share	**5**	**20.51p**	16.22p
Diluted earnings per Share	5	**14.36p**	11.36p

Celtic plc

Registered number SC3487

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	**2019 Unaudited £000**	2018 Unaudited £000
NON-CURRENT ASSETS			
Property plant and equipment		**59,550**	58,905
Intangible assets	6	**23,180**	16,632
Trade and other receivables	7	**13,175**	7,795
		95,905	83,332
CURRENT ASSETS			
Inventories		**1,772**	1,991
Trade and other receivables	7	**25,388**	23,636
Cash and cash equivalents	9	**37,604**	44,676
		64,764	70,303
TOTAL ASSETS		**160,669**	153,635
EQUITY			
Issued share capital	8	**27,167**	27,147
Share premium		**14,848**	14,783
Other reserve		**21,222**	21,222
Accumulated profits		**37,926**	25,083
TOTAL EQUITY		**101,163**	88,235
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest bearing loans	9	**3,476**	4,800
Debt element of Convertible Cumulative Preference Shares		**4,174**	4,193
Trade and other payables		**4,221**	6,788
Deferred tax	4	**1,754**	93
Provisions		**37**	1,300
Deferred income		**42**	71
		13,704	17,245
CURRENT LIABILITIES			
Trade and other payables		**26,294**	28,343
Current borrowings		**1,364**	1,380
Provisions		**3,531**	2,100
Deferred income		**14,613**	16,332
		45,802	48,155
TOTAL LIABILITIES		**59,506**	65,400
TOTAL EQUITY AND LIABILITIES		**160,669**	153,635

Approved by the Board on 7 February 2020

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Other reserve £000	Accumulated profits £000	Total £000
EQUITY SHAREHOLDERS' FUNDS AS AT 1 JULY 2018 (Audited)	27,132	14,720	21,222	9,860	72,934
Share capital issued	1	63	-	-	64
Reduction in debt element of convertible cumulative preference shares	14	-	-	-	14
Profit and total comprehensive income for the period	-	-	-	15,223	15,223
EQUITY SHAREHOLDERS' FUNDS AS AT 31 DECEMBER 2018 (Unaudited)	27,147	14,783	21,222	25,083	88,235
EQUITY SHAREHOLDERS' FUNDS AS AT 1 JULY 2019 (Audited)	27,157	14,785	21,222	18,598	**81,762**
Share capital issued	1	63	-	-	**64**
Reduction in debt element of convertible cumulative preference shares	9	-	-	-	**9**
Profit and total comprehensive income for the period	-	-	-	19,328	**19,328**
EQUITY SHAREHOLDERS' FUNDS AS AT 31 DECEMBER 2019 (Unaudited)	**27,167**	**14,848**	**21,222**	**37,926**	**101,163**

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CONSOLIDATED CASH FLOW STATEMENT
FOR THE 6 MONTHS ENDED 31 DECEMBER 2019

		2019 Unaudited £000	2018 Unaudited £000
Cash flows from operating activities			
Profit for the period after tax		**19,328**	15,223
Taxation charge		**5,091**	3,576
Depreciation		**1,300**	967
Amortisation		**5,874**	4,787
Profit on disposal of intangible assets		**(23,021)**	(17,563)
Net finance (income) / costs		**(211)**	169
		8,361	7,159
Decrease in inventories		**871**	416
(Increase) in receivables		**(400)**	(898)
(Decrease) in payables and deferred income		**(8,097)**	(8,857)
Cash generated from operations		**735**	(2,180)
Tax paid		**-**	(1,200)
Net interest received		**19**	33
Net cash flow from operating activities		**754**	(3,347)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(792)**	(1,389)
Purchase of intangible assets		**(13,824)**	(6,032)
Proceeds from sale of intangible assets		**18,512**	13,714
Net cash generated from investing activities		**3,896**	6,293
Cash flows from financing activities			
Repayment of debt		**(640)**	(370)
Dividend on Convertible Cumulative Preference Shares		**(462)**	(463)
Net cash used in financing activities		**(1,102)**	(833)
Net increase in cash equivalents		**3,547**	2,113
Cash and cash equivalents at 1 July		**34,057**	42,563
Cash and cash equivalents at 31 December	9	**37,604**	44,676

1. BASIS OF PREPARATION

The financial information in this interim report comprises the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and accompanying notes. The financial information in this interim report has been prepared under the recognition and measurement requirements of IFRSs as adopted for use in the European Union but does not include all of the disclosures that would be required under those accounting standards. The accounting policies adopted in the financial information are consistent with those expected to be adopted in the Company's financial statements for the year ended 30 June 2020 and are unchanged from those used in the Company's annual report for the year ended 30 June 2019, except for the adoption of IFRS 16, which is described below.

The financial information in this interim report for the six months to 31 December 2019 and to 31 December 2018 has not been audited, but it has been reviewed by the Company's auditor, whose report is set out on page 4.

Adoption of standards effective for periods beginning 1 July 2019

The following standards have been adopted as of 1 July 2019:

IFRS 16 *Leases*
The Company has adopted IFRS 16 from 1 July 2019, using the modified retrospective transitional approach whereby comparative numbers are not restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities at 1 July 2019 was 3.82%.

The Company has taken advantage of the following practical expedients upon transition:

- A single discount rate to be applied to a portfolio of leases with reasonably similar characteristics, being 3.82%;
- Reliance on its assessment of whether a lease is onerous by applying IAS 37 immediately before the date of initial application, which results in an onerous lease provision of £429k which is offset against the right of use asset;
- Not recognise leases whose term ends within 12 months of the date of initial application; and
- Exclude initial direct costs from the right of use assets at the date of initial application.

In terms of the above the overall impact to the financial statements on initial application are:

- Right of use assets (committed lease payments): £ 1,859k
- Onerous lease provision offset on the right of use assets: £429k
- Lease liability: £1,859k

The net impact on retained earnings on 1 July 2019 was £nil.

The Company's leasing activities
The Company leases various retail stores and cars. Rental contracts have varying lengths of fixed periods but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Accounting approach
From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

1. BASIS OF PREPARATION (CONTINUED

The lease payments are discounted using the Company's incremental borrowing rate as note above.
Right-of-use assets are measured at cost comprising the following:

- the committed lease payments due from date of recognition to the end of the lease term;
- any other committed payments in relation to the leases including service charges and dilapidation commitments;
- an applied discount factor on the above commitments equal to the Company's cost of borrowing as noted above;

Included in the consolidated statement of comprehensive income for the period to 31 December 2019 is a depreciation charge of £0.29m included within operating costs and notional interest of £0.02m included within finance expense.

As at 31 December 2019, the right of use asset included in 'Property, plant and equipment' has a net book value of £1.15m and the lease liability included within trade and other payable has a value of £1.50m, with £0.72m less than one year and £0.78m greater than one year.

Other considerations
(i) Variable lease payments
Estimation uncertainty arising from variable lease payments

One property lease contains variable payment terms that are linked to sales generated from the store. The initial measurement of the lease payment terms are based on the minimum guaranteed payments which are in-substance fixed payments. The variability in lease terms based on sales levels over a certain amount will be recognised in the profit or loss when such conditions are triggered. As such, any decrease in sales would not affect the lease liability. However, a 5% increase in sales in the store would increase total lease payments by £11k.

(ii) Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In all leases recognised as at 31 December 2019, the lease end date has been taken as the first available termination date per the lease agreements.

(iii) Leases not recognised under IFRS16
Short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. There is therefore no change in the treatment of these within the consolidated statement of comprehensive income.

Going concern

The Company has sufficient financial resources available to it, together with established contracts with a number of customers and suppliers. As a consequence, the Directors believe that the Company is well placed to continue managing its business risks successfully and they 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 financial information in this interim report.

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NOTES TO THE FINANCIAL INFORMATION

1. REVENUE

	6 months to 31 Dec 2019 Unaudited £000	6 months to 31 Dec 2018 Unaudited £000
Football and stadium operations	**26,987**	23,873
Multimedia and other commercial activities	**15,108**	15,529
Merchandising	**11,240**	10,613
	53,335	50,015
Number of home games	**21**	17

3. FINANCE INCOME AND EXPENSE

	6 months to 31 December 2019 Unaudited £000	6 months to 31 December 2018 Unaudited £000
Finance income:		
Interest receivable on bank deposits	**120**	128
Notional interest income on deferred consideration	**623**	403
	743	531

	6 months to 31 December 2019 Unaudited £000	6 months to 31 December 2018 Unaudited £000
Finance expense:		
Interest payable on bank and other loans	**(115)**	(110)
Notional interest expense on deferred consideration	**(133)**	(304)
Dividend on Convertible Cumulative Preference Shares	**(284)**	(286)
	(532)	(700)

4. TAXATION

Tax has been charged at 19% for the six months ended 31 December 2019 (2018: 19%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six month period. A deferred tax liability of £1.8m (2018: £0.1m) has been recognised in respect of short term timing differences.

5. EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the profit for the period of £19.3m (2018: £15.2m) by the weighted average number of Ordinary Shares in issue 94,262,133 (2018: 93,865,887). Diluted earnings per share as at 31 December 2019 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.

6. INTANGIBLE ASSETS

	31 December 2019 Unaudited £000	31 December 2018 Unaudited £000
Cost		
At 1 July	**44,652**	44,962
Additions	**15,008**	1,854
Disposals	**(3,324)**	(5,850)
At period end	**56,336**	40,966
Amortisation		
At 1 July	**30,496**	23,999
Charge for the period	**5,874**	4,787
Disposals	**(3,214)**	(4,452)
At period end	**33,156**	24,334
Net Book Value at period end	**23,180**	16,632

7. TRADE AND OTHER RECEIVABLES

	31 December 2019 Unaudited £000	31 December 2018 Unaudited £000
Trade receivables	**28,554**	23,430
Prepayments and accrued income	**7,510**	7,292
Other receivables	**2,499**	709
	38,563	31,431

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

	2019 £000	2018 £000
Trade receivables	**13,175**	7,795

8. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid			
	31 December		31 December			
	2019	**2018**	**2019**	**2019**	**2018**	**2018**
	Unaudited		**Unaudited**		**Unaudited**	
	No 000	**No 000**	**No 000**	**£000**	**No 000**	**£000**
Equity						
Ordinary Shares of 1p each	**223,605**	223,271	**94,290**	**943**	93,916	939
Deferred Shares of 1p each	**672,715**	656,090	**672,715**	**6,727**	656,090	6,561
Convertible Preferred Ordinary Shares of £1 each	**14,758**	14,883	**12,770**	**12,770**	12,896	12,896
Non-equity						
Convertible Cumulative Preference Shares of 60p each	**18,298**	18,371	**15,798**	**9,480**	15,871	9,523
Less reallocated to debt:						
Initial debt	**-**	-	**-**	**(2,753)**	-	(2,772)
	929,376	912,615	**795,573**	**27,167**	778,773	27,147

9. ANALYSIS OF NET CASH AT BANK

The reconciliation of the movement in cash and cash equivalents per the cash flow statement to net cash is as follows:

	31 December 2019 Unaudited £000	31 December 2018 Unaudited £000
Bank Loans due after more than one year	**(3,476)**	(4,800)
Bank Loans due within one year	**(1,264)**	(1,280)
Cash and cash equivalents:		
Cash at bank and on hand	**37,604**	44,676
Net cash at bank at period end	**32,864**	38,596

Period-end net cash, net of debt and debt like items, of £45.1m (2018: £37.7m), is represented by cash net of bank borrowings of £32.9m (2018: £38.6m) further adjusted for other debt like items, namely the net player trading balance, other loans and remuneration balances payable to certain personnel at the balance sheet date

10. POST BALANCE SHEET EVENTS

Since the balance sheet date, we have secured the permanent registrations of Patryk Klimala and Ismaila Soro. We have also permanently transferred the registrations of Scott Sinclair to Preston North End, Lewis Morgan to Inter Miami (subject to international clearance) and temporarily transferred the registrations of Jack Hendry to Melbourne City, Lee O'Connor to Partick Thistle, Jonathan Afolabi to Dunfermline Athletic and Eboue Kouassi to KRC Genk.

In addition we have temporarily transferred the registrations of development squad players Grant Savoury and Ross Doohan to Edinburgh City and Ayr United respectively.

Celtic plc

Directors

Ian P Bankier (Chairman)
Peter T Lawwell (Chief Executive)
Chris McKay (Finance Director)
Thomas E Allison
Dermot F Desmond
Brian D H Wilson
Sharon Brown

Company Secretary

Michael Nicholson

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