Celtic

Celtic plc
Annual Report
Year Ended
30 June 2006





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Chairman's Statement | Brian Quinn CBE



2005/2006 was, on the whole, a good year for Celtic plc and for Celtic Football Club. Although our early departure from European competition and from the Tennent's Scottish Cup were disappointing, with substantial adverse effects on income, we fought back in a manner that is typical of this Club and finished the year on a strongly positive note.



We also strengthened our financial position and began the process of creating a modern purpose-built training facility at Lennoxtown. The football team is being rebuilt, as it has to if the successes of recent seasons are to be maintained. In the week-to-week excitement and uncertainty that characterise football, I believe it is crucial to have a clear idea of longer-term objectives and a sense of direction that goes beyond the febrile environment of the modern game.

Turnover of the group fell by 7.7%, very largely reflecting the loss of gate receipts and TV income from European competition. Celtic played 3 fewer home games last season and ticket sales were 15% lower as a result. Multimedia and communications were 28% lower. Despite this, with operating expenses down by 7.6% - primarily wages and salaries for football staff – and merchandise sales higher by a remarkable 42.5%, the company recorded a profit from operations of £3.74m. The loss before tax, at £4.22m, was less than half the level of the preceding year.

The successful £15m share issue in December 2005 rebuilt the balance sheet, reducing bank debt at year end from £19.3m to £9.1m and almost doubling net assets. We also increased investment in the acquisition of players from £2.3m to £8.8m.

UK Accounting Standards have begun to converge with International Accounting Standards. As part of this process Celtic has adopted paragraphs 1 to 50 of FRS25 the impact of which is to reclassify certain financial instruments from equity to debt.

Under FRS 25 the group's Preference Shares and Convertible Preferred Ordinary Shares, previously defined as equity, were reclassified as a combination of debt and equity; and non-equity dividends were in essence re-classified as interest. As a result, net assets were £3.8m lower, net debt £4.7m higher and interest charges £771,000 higher than would have been reported prior to the implementation of FRS 25. In our accounts we have adjusted the prior periods' figures for these differences in treatment to allow a meaningful comparison to be made.

The football squad showed great resilience after a difficult start to the season. Two long unbeaten runs in the Scottish Premier League from late August until late November, and from then until early April, returned the championship title to Celtic Park with the loss of only two games. No club has won the SPL title earlier in the season, nor with a bigger margin over its nearest competitor. The Club also won the CIS Insurance Cup for the 13th time to add to its 40th league championship. A very special note of thanks goes to Gordon Strachan, Garry Pendrey and Tommy Burns whose contribution has involved combining success on the field with assembling and managing what is largely a new first team squad. I also congratulate our first team for being commended again this year by the SFA for achieving high standards of on-field discipline.

The under-19 and reserve teams won their leagues for the fourth and fifth consecutive times, respectively. Celtic's under-19 team also won the Scottish Youth Cup and an international tournament in Italy. These successes not only contain signs of promise for the future but also testify to the work done by the managers and support staff of the squads.

Squad restructuring is an especially challenging task in today's transfer market. The reduction in transfer fees evident several seasons ago, as clubs in the UK reordered their finances, has been replaced with a market that in any other business sector would be considered overheated. Likewise, salary packages for footballers are probably unprecedentedly high, not just for those of the highest calibre, but also for many outside the elite category. The main driver seems to be the substantially larger sums available to FA Premier League clubs from the recently agreed television contract. Many clubs are spending money now that will not be available for another year, creating echoes of the last boom and bust in football.

Clubs are, however, better run today throughout the UK and should avoid a repeat of the financial problems that arose a few years ago. But what is clear is that, despite the welcome increase in the value of the Bank of Scotland Premierleague TV contract, Celtic and other clubs in Scotland endeavouring to compete in European competition find themselves at a serious disadvantage. This is compounded by the distribution model for UEFA Champions League revenues which favours the larger nations. This gives additional force to our policy of developing our own young players.

I believe the new training ground at Lennoxtown will be an important factor in this regard. We have secured the site and work in building the pitches, accommodation and administration facilities has begun and is proceeding according to plan. We hope the training complex will be completed and available for use at the beginning of next season.

Evidence of the revival in Scottish football to which I looked forward two years ago grew during the season just ended. For the first time in many years, the first two positions in the SPL were not occupied by the Old Firm; and the Tennent's Scottish Cup Final was contested by Hearts and Gretna, a team from the Scottish Division II. As I said in my statement accompanying our 2005 Interim Report, we see this as a healthy and welcome development. We do not expect to lose domestic competitions and certainly do not like it when we do, but excitement and interest in the game is created when the established order is challenged.

I also welcome the signs of revival in the Scottish national side which has arrested the slide in performances and has begun the job of recovering the team's historic reputation for good, winning football.

Our efforts to promote the Celtic brand continue. The squad made training trips to Poland and the United States and played friendly matches in Japan and England. The response by Celtic supporters, actual and potential, has been remarkable and provides hard evidence that this policy is appreciated by our fans everywhere. Of course these events also raise additional income for us, which seems sensible in the light of what is happening in the television and transfer markets; we have to explore all means of maintaining the quality of the playing and coaching staff. Allegations of greed or short-termism miss the point: any money generated by these games is made available to the manager for players. All the benefits of our policy to spread the brand accrue to the football division, no-one else. As for exhausting the players, they are professional athletes, and the coaching staff are best placed to judge what is acceptable in their management of resources.

We have also continued our work to eradicate objectionable behaviour at Celtic Park and, so far as it is in our power to do so, at other football grounds where Celtic play. I believe that the scope of our activities is not appreciated fully; and that this work is proving effective. Sectarian and other offensive songs and chants have all but disappeared at home matches, and we have made proposals to the Scottish Premier League, to other SPL teams and to police forces to try to eradicate such behaviour at away games.

We have always been serious about this. It costs Celtic a substantial amount of money to monitor crowd behaviour in the form of additional stewarding, policing and CCTV cameras; but we consider it our duty to do so and will continue these activities in a way that eliminates discriminatory behaviour, without removing the passion and excitement that comes from following Celtic Football Club.

Our support is amongst the best in the world and I have no hesitation in saying so every year. Average home attendance in our league games last season was over 58,000, the second highest in the UK. Season ticket sales of all kind exceeded 53,000, a level we expect to be maintained this season. Celtic supporters also account for over half of total attendance at many of our SPL away matches. Our Club is always in demand for friendly and testimonial matches because of the numbers we bring. The Celtic diaspora has expanded as we have re-established ourselves in European football in recent years. Participation in the UEFA Champions League group stage this season will, I trust, add to the reputation of our Club.

It will, obviously, also add to our revenues and should therefore contribute to our financial performance generally. We begin the football year with a strong financial position, an experienced and well-qualified Board of Directors and excellent management and staff. The rebuilding of the first team squad is well advanced and our youth development programme is delivering positive results. I feel confident that the success story of recent years will be further extended.

Brian Quinn CBE 16 August 2006
Chairman



SUMMARY OF THE RESULTS

Operational Highlights

- Winners of the Bank of Scotland Premierleague by 17 points
- Winners of the CIS Insurance Cup
- 24 home matches played at Celtic Park in the year (2005 : 27)
- Contract extensions awarded to Stilian Petrov, Stephen McManus, Stanislav Varga, Neil Lennon and Shunsuke Nakamura
- Successful launch of new playing kits under the new kit agreement with NIKE
- Extension of Carling shirt sponsorship contract until 2010
- Construction of the training academy at Lennoxtown commenced

Financial Highlights

- Successful issue of 50 million new Ordinary Shares raising £14.55m net of expenses
- Significant changes to the reporting of non-equity share capital, debt and non-equity dividends following the implementation of FRS25 requiring the restatement of prior period comparatives
- Group turnover decreased by 7.7% to £57.41m (2005 : £62.17m)
- Operating expenses reduced by 7.6% to £53.67m (2005 : £58.07m)
- Profit from operations of £3.74m (2005 : £4.10m)
- Loss before taxation of £4.22m (2005 : £8.71m as restated)
- Year end bank debt of £9.09m (2005 : £19.33m)
- Investment of £8.84m (2005 : £2.34m) in the acquisition of intangible fixed assets

Chief Executive's Review | Peter T Lawwell



There's never a dull moment at Celtic and this past 12 months have been more exciting and eventful than most. We regained the Bank of Scotland Premierleague title by a huge margin, sealing the Championship against our closest rivals Hearts several weeks before the end of the season. We also won the CIS Insurance Cup, defeating Dunfermline in convincing style at Hampden.

To counterbalance the highs there were some disappointing lows too, falling at the first hurdle in the UEFA Champions League qualifying stages even before the domestic season had got underway and being knocked out of the Tennent's Scottish Cup by an impressive young Clyde team.

Following the disappointment of our European defeat at the hands of Artmedia Bratislava, Gordon Strachan and his new management team bounced back to achieve domestic success with a developing and transitioning squad. Garry Pendrey and Jim Blyth, who had worked with Gordon previously, together with Tommy Burns brought their considerable wealth of coaching experience to Celtic.



The passing of Celtic's Greatest Ever Player Jimmy Johnstone in March saddened everybody associated with the Club. His funeral and the tributes which followed were extremely moving. They demonstrated the enormous respect and affection Jimmy enjoyed and that this magnificent institution of Celtic is far more than a football club.

FINANCIAL PERFORMANCE

The Club's reported retained loss of £4.22m re-emphasises the ongoing challenge we face in matching football success with financial stability. Nevertheless, it represents a significant improvement on 2005 and represents a most encouraging performance, particularly in view of the lack of European football and our early exit from the Tennent's Scottish Cup.

Group turnover has reduced by £4.76m, 7.7% to £57.41m from 2005, largely as a result of playing three fewer home games due to our early exit from Europe. In the current year, turnover continued to benefit from the healthy take-up of standard season tickets, together with the opening of new retail stores.

Operating expenses, excluding exceptional operating costs, have reduced by £4.39m, 7.6% to £53.67m, predominantly due to prudent cost control throughout the business.

Exceptional operating expenses at £0.58m are mainly a result of accelerated depreciation on player values, whereas last year's figure of £2.96m reflected the costs incurred in the early termination of certain players' contracts. The amortisation charge of £5.1m is down by 31% on last year, demonstrating the reduced carrying value of the first team squad and continued decline in the value of transfer fees paid in recent years.

FOOTBALL INVESTMENT

The highest profile player arriving at the Club over the last 12 months was Roy Keane, himself a big Celtic fan and one of the true greats of the game, who joined from Manchester United in January. Unfortunately Roy was only with us for six months before long-term injury curtailed his playing career, but he made quite an impression during his short stay.

Other new signings during the year included Maciej Zurawski, Artur Boruc, Adam Virgo, Shunsuke Nakamura, Paul Telfer, Mo Camara and Mark Wilson. Since the end of the season Derek Riordan, Kenny Miller, Jiri Jarosik, Gary Caldwell and Evander Sno have been recruited.

Jeremie Aliadiere and Du Wei had short spells on loan at the Club during the 2005/06 season, whilst Dion Dublin joined on a short-term contract, which came to an end in June.

Contracts were extended for a number of first team players including Stilian Petrov, Neil Lennon, Stanislav Varga, Paul Lawson, Stephen McManus and Shunsuke Nakamura.

High profile player departures this year have included Chris Sutton and John Hartson, who had been great servants for Celtic. During the summer of 2005 Paul Lambert, Rab Douglas, Jackie McNamara, Ulrik Laursen, Magnus Hedman, David Fernandez and Joos Valgaeren left the Club as did Didier Agathe in January.

The intent of the Celtic Board is to achieve a managed ratio between turnover and labour costs. Ongoing financial controls are in place to ensure that labour costs are maintained at a manageable level, particularly in relation to turnover. It is acknowledged that the football sector remains financially difficult, although there is a desire to assist in delivering on-field success. The ability to field a competitive side and retain control on costs remains a challenge. The player trading activity completed during the last year has reflected such a balanced approach and this will be continued as the organisation moves forward. During this time, employment contracts have included a greater element of performance related pay. It is planned that this policy be extended and that a greater proportion of remuneration be based on football success. The biggest challenge facing your Board remains the management of salary and transfer costs, whilst achieving playing success in order to yield satisfactory financial return.

The decision to appoint Ray Clarke as our Head of International Scouting stemmed from a desire to expand the search for new footballing talent overseas. Eleven new scouts were taken on during the last financial year, both in England and on the Continent, and their efforts are already showing encouraging signs.

Overall, the realignment of the first team squad over the last year has resulted in a meaningful reduction in labour costs.

FOOTBALL OPERATIONS

In winning the SPL Championship and CIS Insurance Cup, Celtic played 45 competitive matches in total during the 2005/06 season, winning 33 and losing just 5, with 7 matches drawn. It is also pleasing to see our first team commended again this year by the SFA for its conduct on the field, finishing in first place for the second successive year in the SFA's annual disciplinary analysis.

Celtic's reserve side won the SPL Reserve Championship for the fifth year in succession, playing 22 matches and losing just 3.

In another highly successful year, Celtic's Under 19 side won their championship for the fourth year in a row, retained the SFA Youth Cup, won the Arcobaleno Youth Tournament in Italy and had 6 of the 22 Scotland Under 19 squad members at the recent European Championships where Scotland reached the final. The 6 were Ryan Conroy, Scott Cuthbert, Simon Ferry, Scott Fox, Charles Grant and Michael McGlinchey.

In advance of the start of the new season, the first team for the third time in recent years undertook a pre-season tour to North America, playing three matches. This and our pre-season visit to Poland assists in expansion of the Club and brand on a global basis.

In addition, a further match against Yokohama F. Marinos was played in Japan on 3 August, increasing the Club's profile in Japan following the signing of Shunsuke Nakamura last year.

TICKET SALES

Standard Season Ticket sales reached a record 50,595 for the year, generating income of £17.06m. In addition 100,506 tickets were sold for home SPL matches at a net value of £1.93m.

All SPL matches at Celtic Park were virtually sold out, with a total of over 1.1 million spectators attending SPL fixtures here during the season, an average attendance of 58,193. Supporters are now able to purchase tickets from a variety of sources including a 24 hour telephone line, on-line through the website as well as directly from the Ticket Office.

Following a successful pilot in the North West Lower corner stand, the Skidata SMART Card System has been introduced to the stadium's 105 turnstiles. For the new season all season ticket holders have been issued with a SMART card. This significant financial investment by the Club will deliver a major safety management improvement, which will benefit all spectators visiting Celtic Park.

YOUTH DEVELOPMENT

Over 2.5 million lottery chances were sold under the various schemes operated by Celtic Development Pools during the period, with donations of over £1m made to the Club for the purposes of youth development. A similar sum was paid out in prize money to Celtic supporters from all over the country, an impressive achievement in light of the challenging times facing small lotteries operated in the UK.

The Paradise Windfall matchday draw, with a top prize of £7,000, enjoyed strong average sales during the year despite there being fewer matches as a consequence of our early exit from Europe and the Scottish Cup. Next season will see the top prize rise to £7,500.

2005 also saw the launch of Celtic World Lotto, a new on-line marketing referral syndicate scheme based on the National Lottery and Euromillions lottery. It allows supporters from around the world, who cannot participate in Celtic Pools domestic lotteries, the opportunity to support Celtic Youth Development.

In May, work commenced on the new state of the art Celtic Sports Academy and Training Centre in Lennoxtown, which is scheduled to be operational for the 2007/08 season. It is envisaged that this will result in an increase in homegrown talent, building on the tremendous success our youth teams have enjoyed over recent years.

CELTIC FOUNDATION

During the year, the Club decided to consolidate its community work under the new title of the Celtic Foundation. This important step will enable Celtic's range of community-related activities to receive greater focus and improved co-ordination.

The Foundation will incorporate football in the community and community coaching programmes across both domestic and international markets, anti-bigotry initiatives, including anti-racism and anti-sectarianism, Celtic Charity Fund, Celtic Learning Programmes and the Learning Centre, the Old Firm Alliance Project, Celtic Against Drugs and the Support Employment initiative.

The new structure is indicative of the importance Celtic attaches to its role in the community. The Foundation will be working alongside key partners to deliver on policy direction set by the Scottish Executive.

CELTIC IN THE COMMUNITY

Celtic In The Community has developed into one of the leading community football services in the UK since its inception in June 2003. It provides a coaching and development programme to meet the needs of children, teenagers and adults. The range of products and services has grown considerably during this time, providing greater opportunities for all sectors of the community. The Celtic in the Community Programme has to date attracted over half a million young people and adults from across some of Scotland's most deprived areas. Celtic remains committed to the Programme and has invested significantly in recruiting and developing over 100 community coaches.

The Celtic In The Community Programme also provides a potential pathway into our Youth Academy, with over 200 youngsters invited into the Development Centre Programme, five of whom have already graduated to the elite Academy itself. In Ireland the Community Programme has become firmly established in partnership with Topflight Soccer with over 2,000 youngsters attending courses.

Internationally, Celtic In The Community has delivered courses in Canada, Germany and Cyprus and has organised coaching clinics in Boston, Seattle, Michigan, Alabama and Melbourne. The reputation of the Club and its supporters provides real potential to offer new programmes in a variety of languages throughout a number of international locations, a challenge the Celtic Foundation will be embracing with relish. The Programme's track record is outstanding with buy-in from the private, public and voluntary sectors.

The Community Department has been instrumental in securing grant funding to support a number of meaningful projects tackling health issues, unemployment, education, antisocial behaviour and social inclusion.

MERCHANDISING

This year was the first of the new NIKE contract and saw the successful launch of a new home kit in July 2005 and record sales of NIKE training product. Our retail store at Glasgow International Airport generated record income per square foot sales at the kit launch.

Merchandise turnover for the year reached £14.34m, around 42.5% up on last year's figure of £10.06m, despite playing fewer home games.

This year saw the Celtic home shopping business transfer to Kitbag Limited, who operate equivalent services for Manchester United, Chelsea and Barcelona. Despite some teething troubles, we are confident this arrangement will give us the capacity to cope far better with demand going forward and offer a better service to our customers.

We opened new Celtic retail stores in Coatbridge, Clydebank and Stirling, bringing the total number to 14 across Scotland and Ireland. In addition we operate concessions within Debenhams department stores in Glasgow, Inverness and Ayr, and a further concession recently opened in Debenhams in Newry.

The flagship Celtic Superstore has undergone a major refit and re-opened in mid July with the latest NIKE concept store look, whilst the new international white away kit enjoyed a successful launch in July 2006.

MULTIMEDIA

Season 2005/06 saw a change of publisher, with CRE8 now working with the Club on producing the Celtic View and the matchday programme. Both publications increased in pagination – the Celtic View to 72 pages and the matchday programme to 64 pages.

In August 2005, the Celtic View celebrated its 40th anniversary, confirming its position as the oldest weekly club publication in football. The high standard of design and production was maintained and enhanced further by our new publishers as we chronicled another successful season, and the Celtic View maintained its position as the best-selling weekly club magazine in British football.

We have developed our Celtic TV relationship with Setanta and moved from joint venture to a licensed agreement, over which Celtic has retained editorial control.

Overseas subscriptions to Celtic's Channel 67 Online+ service rose to over 2,000 per month, whilst the UK and Ireland service, Channel 67, held up well despite the further advance of Celtic TV.



The Multimedia team produced several successful official events including the Neil Lennon Dinner, John Clark Dinner, Player of the Year Dinners in Glasgow and in Dublin, and the AGM.

We have also produced DVDs for News International as part of a sponsorship deal, as well as end of season DVDs for the domestic and Japanese markets amongst others.

PUBLIC RELATIONS

During the period, media coverage of Celtic-related issues has generally been positive. Major media highlights of the season included the SPL Championship victory and associated coverage, the sad passing of Jimmy Johnstone and the signing of Roy Keane.

Clearly, on the negative side, failure to make the Champions League group stage was a major media issue and the Club received substantial criticism in the press.

The coverage achieved by Celtic's Public Relations department for events such as kit launches, new merchandise, retail outlet openings, sponsorship announcements and a range of Club initiatives has been excellent.

The passing of Jimmy Johnstone, as well as being a very sad event for everyone connected to Jimmy, his family and the Club, also developed into one of the largest media events which Celtic has ever known.

PARTNER PROGRAMME

NIKE's first year as exclusive Club kit manufacturer has been a success, helping grow the global brand awareness of the Club. Other positive partnership developments during the year included the extension of our contract with T-Mobile as well as the retention of key long-standing partners Carling, MBNA, Ladbrokes and Phoenix.

The announcement of Thomas Cook as the Official Travel Partner of Celtic Football Club will give fans improved access to matchday breaks as well as consolidating responsibility for all international travel for the team and officials.

Largely as a consequence of signing Shunsuke Nakamura, our focus on the Japanese market has enabled us to secure a number of productive new business deals. These have included services such as broadband, 3G and DVD, as well as yielding many sponsorship opportunities. This remains an important focus of attention for 2006/07.

New online partners and international sponsors will help secure our income streams during the season ahead.

STADIUM

During the course of the year, Celtic worked in close liaison with the Glasgow City Council Safety Team for Sports Grounds to enhance the management of safety within the stadium. The Club views this partnership approach as key to spectator safety.

A total smoking ban was introduced at the stadium on 26 March to comply with national legislation.

The SMART Card System is designed to improve ease of access to the stadium while providing those responsible for public safety duties with the latest technology available in monitoring spectator movement.

The Club will continue to place spectator safety as its highest priority.

FACILITIES

A number of customer hospitality areas were refurbished and upgraded during the year, including the South Stand boxes and Kerrydale reception and function suite. A new wireless hearing system was installed for the visually impaired supporters group.

In terms of Health and Safety, audits were carried out in respect of fire assessment and the Disability Discrimination Act and a programme of actions implemented.

CATERING AND CORPORATE HOSPITALITY

The partnership with Lindley, who provide our concourse catering, continues to work well.

Seasonal hospitality sales remained encouraging despite the shortfall in European and Scottish Cup home games, whilst Conference and Banqueting and Number 7 Restaurant sales were ahead of last year.
Number 7 was particularly successful for special events, including St Valentine's Day, Mothering Sunday and Father's Day, while the newly refurbished Kerrydale Suite hosted a string of successful conferences, events and dinners.

The number of visitors to the Visitor Centre was well ahead of the previous year at just under 20,000, generating additional revenue for the Club.

SUPPORTER RELATIONS

A new Customer Relationship Management (CRM) database is under construction, which will record all supporter, partner and customer transactions with the Club. This will enable us to provide an improved service to supporters and reward those who contribute most to the Club.

WORK WITHIN THE LOCAL COMMUNITY

Celtic was delighted to launch the new Celtic Learning Centre at Celtic Park in May 2006. Built in association with Glasgow City Council, the Centre will provide invaluable support to improve the education of young people throughout the region.

1,175 local school children benefited from participating in Celtic Education Programmes during the year, with a success rate of 83% on the reason for referral.

This brings the total to a remarkable 2,794 since the Programmes were launched back in April 2004. In addition, 50 primary school pupils took part in Celtic Learning's literacy support classes this year and 48 secondary pupils took part in our web design lessons.

CELTIC CHARITY FUND

Celtic Charity Fund, the Club's charitable arm, again enjoyed a highly successful year, raising thousands of pounds for a range of worthy causes. The highlight of the year was the Celtic Charity Fund Sporting Dinner, held at Celtic Park. Attended by the football management team, Directors and first team players, the event was a tremendous success. The SOS Children's Villages Campaign was the principal beneficiary but numerous other organisations benefited from support during the course of the year.

HUMAN RESOURCES

Celtic was awarded the "Positive About Disabled People" symbol by Job Centre Plus during the year in recognition of working towards fulfilling its commitments to colleagues and job applicants with a disability.

Over 90 pupils from local schools enjoyed a week of structured work experience at Celtic Park during the year.

The hard work and contribution of all colleagues in another challenging but successful year is once again greatly appreciated.

SUMMARY AND OUTLOOK

Much progress was achieved in the current year in improving the financial position of Celtic. A year on year reduction in the retained loss of £4.48m represents a real step in the right direction. Equally, it is acknowledged that the football sector remains financially difficult. However, trading at the beginning of the new financial year has been encouraging. Seasonal sales of standard, premium and corporate tickets are at levels comparable with last year and the launch of the new international kit has been very successful. Additional revenue streams and new commercial contracts have boosted income and a more acceptable cost structure has given us the basis of a sustainable business model going forward. Celtic continues to enjoy relationships with a number of international companies, including NIKE, Carling, T-Mobile, MBNA, Thomas Cook and Kitbag, which together with the revenues generated from our partner programme secure a sizeable proportion of our income streams going forward. In addition, a new 4 year domestic television contract has been secured by the SPL, which will provide year on year incremental revenue.

In the short term we can look forward with optimism to reaping the rewards of last season's domestic success though our guaranteed participation in the lucrative group stage of the UEFA Champions League. This participation allows us to compete with the best teams in Europe, but also provides revenues which allow much greater flexibility in the transfer market. The playing squad has been strengthened during the close season and further recruitment is planned.

Further forward, implementation of the new scouting network has given Celtic better coverage than ever before throughout Europe.

Our Academy continues to produce quality players and, together with our strenuous efforts to retain and recruit the best, we plan to have a strong, balanced team capable of competing domestically and in Europe. In addition, it is planned to continue the success achieved in recent years with a number of the internally generated youth players establishing themselves in the first team. The completion of the new training academy at Lennoxtown should augment this process in future years. These initiatives, together with the reduction already achieved in football labour costs and the continued planned reduction in amortisation costs will result in a cost base and financial position that is sustainable.

Our objectives are to secure domestic football success and to ensure UEFA Champions' League football at Celtic Park on an annual basis.

Peter T Lawwell
Chief Executive

16 August 2006



Financial Review | Financial Director, Eric J Riley



ACCOUNTING POLICIES

Details of the main accounting policies adopted by the Group are disclosed in Note 1 to the Financial Statements.

UK Accounting Standards have begun to converge with International Accounting Standards. As part of this process Celtic has adopted paragraphs 1 to 50 of FRS25 (financial instruments disclosure and presentation) the impact of which is to reclassify certain financial instruments from equity to debt. We expect that further disclosures and changes in reporting will be required in the future as further UK Standards converge with IFRS. The Financial Statements for the year to 30 June 2006 are the first audited accounts to be prepared by the group on this basis. As a result the comparative figures for the year ended 30 June 2005 have been restated accordingly.

The main requirement of the above is the implementation of FRS25 (financial instruments disclosure and presentation) which results in elements of the Preference Shares and Convertible Preferred Ordinary Shares being reclassified as debt and non-equity dividends being reclassified as interest. The impact of this is a reduction in reported net assets in comparison to those reported prior to the implementation of FRS25 and an increase in reported debt as follows on the table at the bottom of this page.

Other than as noted above, the accounting policies adopted by the Group are consistent with last year.

FINANCIAL RESULTS

Celtic plc recorded a retained loss for the year to 30 June 2006 of £4.22m which is a significant improvement from the £8.71m reported last year. This improvement is largely as a result of savings in costs, amortisation and interest charges.

Celtic's trading results for the year to 30 June 2006 have suffered dramatically as a result of failing to progress in European competition and also in the Tennent's Scottish Cup. In addition, the financial position has been significantly affected by the adoption of the new accounting standard FRS25, as outlined above.

However, the capital structure of the organisation was significantly improved in December 2005 with the successful completion of the £15m issue of Ordinary Shares which was oversubscribed by approximately £1.6m. £10m of the share issue proceeds will be invested in football development with a substantial proportion earmarked for the establishment of the new training academy at Lennoxtown. The remaining £5m of share issue proceeds will assist with debt reduction and strengthening of the balance sheet. Also in December 2005 Celtic plc formally moved its stock exchange listing from the Official List of the UK Listing Authority to AIM.

Group turnover has reduced by £4.76m, 7.7% to £57.41m having played 24 home matches in comparison to 27 last year. The reduction in income over last year is largely as a result of failing to progress in Europe this season in comparison to being Scotland's sole participant in the group stage of the UEFA Champions' League last year.

Total operating expenses decreased over last year by £4.39m, 7.6% to £53.67m, predominantly due to reduced labour costs and savings in overheads directly related to the number of home matches in the year. As a result, profit from operations of £3.74m compares with £4.1m last year. The net loss for the year after provision for exceptional costs, amortisation of intangible fixed assets, loss on disposal of fixed tangible and intangible assets, interest and tax, amounted to £4.22m in comparison to a loss of £8.71m in 2005.

	30 June 2006 £'000	30 June 2005 £'000
Net assets prior to FRS25	**25,911**	16,215
FRS25 adjustment	**(3,814)**	(4,487)
Revised net assets following FRS25 implementation	**22,097**	11,728

Debt Position		
Cash at bank and in hand	**2,914**	171
Co-operative Bank loan	**(12,000)**	(19,500)
Bank borrowings net of cash	**(9,086)**	(19,329)
Other Loans	**(164)**	(174)
Debt as reported prior to FRS25	**(9,250)**	(19,503)

Impact of FRS25		
Remaining debt from reclassification of non-equity shares due within one year	**(901)**	(901)
Remaining debt from reclassification of non-equity shares due after more than one year	**(3,814)**	(4,487)
Debt reported under FRS25	**(13,965)**	(24,891)

TURNOVER

A summary of turnover per business operation is set out in Note 2 to the Financial Statements and a detailed analysis of performance of each operating division is given in the Chief Executive's Review on pages 3 to 6. The major movements in turnover in comparison to last year are noted below.

Income from football operations decreased by £4.77m, 15.2% to £26.66m, mainly as a result of not progressing in the Tennent's Scottish Cup and not participating in the group stage of the UEFA Champions' League as last year. This reduction was offset by the continued high take-up of standard season tickets following a price increase of approximately 3% in addition to the revenues generated from success in the CIS Insurance Cup.

Multimedia revenue has decreased by £4.72m, 28.4% to £11.89m, almost entirely as a result of failing to progress in Europe and participate in the group stage of the UEFA Champions' League as last year.

Merchandising reported a significant increase in turnover of £4.28m, 42.5% to £14.34m, largely as a result of appointing NIKE as kit supplier and the availability of the NIKE range of products for the first time. Sales have also benefited from the launch of the first ever home NIKE strip in addition to the launch of the new green and black NIKE kits.

Income from stadium enterprises has increased by £0.24m, 9.6% to £2.78m, mainly as a result of increased conference and banqueting revenue.

Youth development income has increased by £0.21m, 13.7% to £1.75m over last year, largely as a result of the success of the community soccer schools programme.

OPERATING EXPENSES

Total operating expenses, excluding exceptional operating costs, have reduced by £4.39m, 7.6% to £53.67m, largely due to a reduction in labour costs and other overheads such as matchday costs, maintenance, travel and accommodation and other overheads which are directly related to trading activity and the number of home matches in the year.

Total wage costs reduced by £4.90m, 13.1% to £32.49m as a result of labour savings in professional football and youth development from last year. Such savings are mainly due to a reduction in first team and football management costs following the change in personnel during the year and savings in success, loyalty and bonus payments to the first team this year in comparison to last.

The non-football divisions reported an increase in labour costs of £0.50m as a result of the facilities management team returning in-house, resulting in savings in maintenance costs as noted above, together with increased labour costs as a result of additional turnover in conference and banqueting and particularly in merchandising with revenue up 42.5% in comparison with last year and the opening of 3 new retail units.

There has been a saving in total wage costs in the current year. In addition, the ratio of the total labour cost to turnover has reduced to 56.6% from the 60.1% reported last year. This ratio, which incorporates limited revenue from European and Tennent's Scottish Cup progression, compares with an average of 59.05% recently reported for the English Premiership in Season 2004/05. The Board recognises the need to maintain strict control of wage costs in an area that requires to be closely monitored. Wage inflation is an area of concern throughout the worldwide football industry that will need to be carefully controlled, particularly following the enhanced television contracts that have now been agreed in Scotland and England. Celtic plan to achieve a managed ratio between turnover and labour costs. Ongoing financial controls are in place to ensure that labour costs are maintained at a manageable level, particularly in relation to turnover.

EXCEPTIONAL OPERATING EXPENSES

Exceptional operating expenses of £0.58m (2005 : £2.96m) reflect £0.18m (2005 : £1.56m) of operating costs and £0.40m (2005 : £1.40m) provision for impairment to intangible fixed assets.



AMORTISATION COSTS

Total amortisation costs at £5.1m represent a reduction of £2.24m, 30.6% in comparison to the previous year, mainly as a result of the elimination of the charge in respect of the football players who left at the end of the 2004/05 season and a reduction in the annual charge in respect of the contract extensions signed during the 2005/06 season offset by the charge in respect of the new players signed during that season.

NET LOSS ON DISPOSAL OF INTANGIBLE FIXED ASSETS

The loss on disposal of £0.26m in the current year is largely represented by the sale of John Hartson and the release of Didier Agathe. The loss on disposal of £0.14m last year reflects the transfer of Henri Camara and the transfer/ release of certain youth players.

LOSS ON DISPOSAL OF TANGIBLE FIXED ASSETS

The loss on disposal of tangible fixed assets in the year of £0.25m reflects the disposal of fixtures, fittings and equipment in respect of the Kerrydale Suite, Superstore, Walfrid and South Stand following the refurbishment work carried out.

JOINT VENTURE
At the end of March 2006, Celtic disposed of its 50% shareholding in Setanta CTV Broadcasting Limited. The joint venture reported a breakeven position for the period until the disposal such that no share of any gain/loss is reported in the Group's Financial Statements for the year to 30 June 2006 in accordance with FRS9.

INTEREST
The interest charge for the year to 30 June 2006 of £1.77m (2005: £2.27m) reflects interest due on the Group's overdraft and term loan facilities together with the reclassification of the Preference and the CPO share dividends as interest following the implementation of FRS25.

TAXATION PROVISION
No provision for Corporation Tax is required in respect of the year ended 30 June 2006. The provisional tax computation for accounts purposes provides tax losses carried forward of approximately £44m and an available capital allowances pool of £18m as at 30 June 2006.

The value of the deferred tax asset not reflected in the Financial Statements of the Group is £13.80m, which will also be recoverable to the extent of future tax and profits of the Group.

TANGIBLE ASSETS
The additions to tangible fixed assets in the year of £2.99m are represented mainly by upgraded facilities in the Kerrydale Suite, Walfrid kitchen and South Stand boxes, in addition to land, construction costs, professional fees and interest in respect of the new training academy at Lennoxtown. Other additions include improved lower tier seating in the South Stand, safety improvements at Celtic Park, the opening of new stores in Coatbridge and Clydebank and further enhancements to information technology equipment.

INTANGIBLE ASSETS
The increase in the net book value of intangible assets from 30 June 2005 of £2.34m to £7.59m reflects the investment in the playing squad of £8.84m less the amortisation charge of £5.10m, the exceptional impairment charge of £0.4m and the net book value of disposals of £1.00m. The investment in the playing squad is largely represented by the acquisition of Zurawski, Boruc, Virgo, Nakamura, Telfer, Camara, Wilson, Riordan, Sno and Jarosik. However, additional capital instalments were also paid in respect of existing players.

DEBTORS
The increase in the level of debtors from 30 June 2005 of £0.40m is primarily as a result of an increase in amounts receivable, particularly in respect of television and other trading revenues.

CREDITORS DUE WITHIN ONE YEAR
The increase in creditors falling due within one year from 30 June 2005 of £1.40m largely reflects an uplift on sums due in respect of intangible fixed assets.

CREDITORS DUE AFTER MORE THAN ONE YEAR
Creditors due after more than one year is reported as £17.19m in comparison to £23.99m the previous year. Much of this reduction is due to the proceeds received from the share issue at the end of December, resulting in a reduction in Co-operative Bank loans due in more than one year to £12m (2005 : £19.5m).

FUNDING
Net debt, excluding the reallocation from equity under FRS 25, at 30 June 2006 is £9.25m (2005 : £19.5m) and includes all bank borrowings and other loans offset by cash at bank and in hand. The reduction from 30 June 2005 is principally as a result of the £14.55m net proceeds from the share issue together with the cash generated from trading in the 12 months to 30 June 2006 being offset by capital expenditure in respect of transfer fees paid for player acquisitions, tangible asset additions and dividend and interest payments.

The Group has internal procedures in place to ensure efficient cashflow and treasury management in order to maximise return and minimise risks where appropriate. Details of the Group's financial instruments and debt profile are included in Notes 18, 20, 25 and 27 to the Financial Statements.

INTERNATIONAL ACCOUNTING STANDARDS
The Group will be required to first adopt International Accounting Standards (IAS) when preparing its Financial Statements for the year ended 30 June 2008. In preparation, the Group has in conjunction with its auditors, identified the key standards which will impact upon the Financial Statements and have taken steps to ensure the availability of comparative figures.

Accounting for financial instruments, earnings per share and segmental reporting are those areas where we expect IAS to have the most impact on our Financial Statements.

The reclassification of certain dividends to interest/finance costs and a different denominator in number of shares used for the EPS calculation per IAS33 will result in different EPS being quoted under IAS than UK GAAP. It is widely accepted that EPS will become more volatile under IAS.

Under IAS14 Segmental Reporting, additional disclosure will be required as a result of what are defined as reportable segments. The Group has made progress in identifying such reportable segments and has determined that while they are not expected to be significantly different to the current five operating divisions, additional information will be required and accounting systems have been adapted to accommodate this.

Given the above procedures have been, and continue to be, implemented, it is considered that a successful conversion to financial reporting under IAS will be achieved.



Eric J Riley
Financial Director

16 August 2006



Directors' Report

The Directors present their Report together with the audited financial statements for the year ended 30 June 2006.

PRINCIPAL ACTIVITY

The principal activity of the Group is the operation of a professional football club, with related and ancillary activities.

RESULTS AND DIVIDENDS

Group turnover is reported as £57.41m compared with to £62.17m in 2005. Operating costs at £53.67m result in a profit from operations of £3.74m (2005: £4.10m). The loss on ordinary activities before taxation amounted to £4.22m (2005: £8.71m as restated).

Dividends will be paid on 31 August 2006 to those shareholders not participating in the dividend reinvestment scheme. The record dates for the purpose of the dividends are:

4% Fixed Preferred Dividend on Convertible Preferred Ordinary Shares 30 June 2006
6% Preference Shares Dividend 4 August 2006

No Participating Dividend on Convertible Preferred Ordinary Shares is payable.

Mandates representing 722,308 Preference Shares and 350,640 Convertible Preferred Ordinary Shares remain in place for the scrip dividend reinvestment scheme introduced in July 2005. The scheme remains in operation with approximately £41,000 (2005 : £40,000) of dividends for the financial year being reinvested. For regulatory reasons the Company was unable to issue a further invitation to join the scheme last year but does intend to issue such an invitation during the financial year to 30 June 2007 to those eligible to participate. Ordinary Shares due under the scheme will be allotted on 31 August 2006, with certificates and tax vouchers despatched shortly after that.

The Directors do not recommend the payment of an Ordinary Share dividend.

The retained loss of £4.22m has been taken to reserves.

BUSINESS REVIEW

A review of the Group's business and operational activities is contained within the Chairman's Statement, the Chief Executive's Review and the Financial Review.

EVENTS SINCE THE YEAR END

Since 30 June 2006, the registration of Scottish internationalist Kenny Miller was acquired.

INCREASE IN SHARE CAPITAL

During the year the authorised share capital of the Company was increased from £32,950,000 to £34,700,000 by the creation of 175 million new Ordinary Shares of 1p each. 50 million of the new Ordinary Shares were issued pursuant to an Open Offer and Offer for Subscription in December 2005. Details of the Company's authorised and issued share capital are set out in Note 21 to the Financial Statements.

FINANCIAL INSTRUMENTS

Details of the financial instruments used by the Group are included in Note 27 of the Financial Statements.

DIRECTORS AND THEIR INTERESTS IN THE COMPANY'S SHARE CAPITAL

The Directors serving throughout the year and at 30 June 2006 and their interests, including those of connected persons, in the share capital of the Company were as follows:

	30 June 2006			1 July 2005		
Name	No. of Convertible Preferred Ordinary Shares of £1 each	No. of Ordinary Shares of 1p each	No. of Convertible Cumulative Preference Shares of 60p each	No. of Convertible Preferred Ordinary Shares of £1 each	No. of Ordinary Shares of 1p each	No. of Convertible Cumulative Preference Shares of 60p each
Brian Quinn CBE	20,000	76,117	7,775	20,000	7,350	7,775
Peter T Lawwell	-	356,000	-	-	20,000	-
Eric J Riley	8,000	72,387	5,000	8,000	5,000	5,000
Thomas E Allison	-	330,000	-	-	20,000	-
Dermot F Desmond	8,000,000	32,772,073	5,131,300	8,000,000	6,273,770	5,131,300
Eric Hagman CBE	-	7,500	-	-	5,000	-
Brian J McBride	-	2,187	-	-	1,458	-
Brian D H Wilson	-	3,000	500	-	1,000	500

Certain of the beneficial interests of Brian Quinn in the shares noted above are held in the name of Brooks MacDonald Services Limited. Similarly, the beneficial interests of Peter Lawwell and Eric Hagman are held in the name of R.C. Greig Nominees Limited. The beneficial interest of Brian McBride is held in the name of Barclayshare Nominees Limited. Mr Desmond is beneficially interested in the shares noted above, which are held in the name of Line Nominees Limited.

No changes in Directors' shareholdings between 30 June 2006 and 16 August 2006 have been reported to the Company.

Brief biographical details of the Directors serving as at 30 June 2006 are as follows:

Brian Quinn, CBE (Chairman) has been a non-executive Director since March 1996, and non-executive Chairman since June 2000. Mr Quinn is chairman of the Nomination Committee and a member of the Remuneration Committee. He also holds non-executive posts with Genworth Financial Mortgage Insurance Europe Limited and Qatar Financial Centre Regulatory Authority.

Thomas E. Allison has been a non-executive Director since September 2001. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Mr Allison is the nominated Senior Independent Director. Mr Allison is Chief Executive of Peel Ports Limited, a Director of Peel Holdings Limited, Chairman of Wood McKenzie Limited and Eco-European Limited. He is a member of the Council of CBI Scotland.

Dermot F. Desmond has been a non-executive Director of the Company since May 1995. He is chairman and founder of International Investment & Underwriting Limited ("IIU"), a private investment company. Mr Desmond is a member of the Nomination and Audit Committees.

Eric Hagman, CBE became a non-executive Director in May 2003 and is Chairman of the Audit Committee. Mr Hagman is also a non-executive director of British Polythene Industries plc, the Royal College of Art and Scottish American Investment Trust plc and serves as Chairman of Aon Limited Scotland.

Peter T. Lawwell, Chief Executive, joined the Company in October 2003 from his position as commercial director with Clydeport plc. Previously he held senior positions with ICI, Hoffman-La-Roche and Scottish Coal. Mr Lawwell is non-executive Chairman of Intelligent Office Limited (formerly Electronic Document Services Limited).

Brian J. McBride was appointed to the Board as a non-executive Director in January 2005. Mr McBride is managing director of Amazon UK and previously held a similar post at T-Mobile UK Limited. Mr McBride is a member of the Audit and Remuneration Committees.

Eric J. Riley is the Financial Director and joined the Company in August 1994. Mr Riley is a chartered accountant and has executive responsibility for operational areas of corporate strategy and finance. During the year Mr Riley was an unpaid non-executive director of the Scottish Football Association Limited. He joined the Board of the Scottish Premier League Limited in July 2006.

Brian Wilson was appointed as a non-executive Director in June 2005. Formerly a Member of Parliament, Mr Wilson also held several ministerial posts during his political career. He is an experienced journalist and writer and a director of several private companies.

Policy on appointment of non-executive Directors
The Nomination Committee reviews potential appointments to the Board and makes recommendations for consideration by the Board. Re-appointment is not automatic. When a position becomes or is likely to become available, the Board, through the Nomination Committee, seeks high quality candidates who have the experience, skills and knowledge which will further the interests of the Company and its shareholders. The terms of reference of the Nomination Committee are published on the Company's website.

Retirement and re-election of Directors
In accordance with the Articles of Association of the Company, Tom Allison, Eric Hagman and Peter Lawwell retire by rotation. Tom Allison and Peter Lawwell being eligible, offer themselves for re-election. Brian Quinn and Dermot Desmond have each served more than 9 years and in accordance with Rule A7.2 of the Combined Code each retires and offers himself for re-election.

The Board has reviewed the performance of each of these individuals and is satisfied that they continue to meet the high standards expected of Directors of the Company. The Directors recommend that Tom Allison, Peter Lawwell, Brian Quinn and Dermot Desmond be re-elected.

During the year the Company maintained liability insurance for its Directors and officers.

SUBSTANTIAL INTERESTS

In addition to the Directors' interests set out above, the Company has been notified or is aware of the following interests of over 3% in its issued Ordinary Share capital as at 16 August 2006:

	Ordinary Shares of 1p each	Percentage of Issued Ordinary Share capital
Christopher D Trainer	5,933,748	7.32%
John S Keane	4,474,747	5.52%
Michael D Culhane	3,000,000	3.70%

In addition to the Directors' interests as set out above the Company has been notified or is aware of the following interests of over 3% in the issued Convertible Preferred Ordinary Share capital:-

Registered Owner	Convertible Preferred Ordinary Shares of £1 each	Percentage of Issued Convertible Preferred Ordinary Shares
NY Nominees Ltd	1,600,000	8.88%
Martin O'Neill	1,600,000	8.88%
Aurum Nominees Ltd	800,000	4.44%
Natwest FIS Nominees Ltd	800,000	4.44%
Princella Investments Ltd	800,000	4.44%

DONATIONS

Details of the charitable activities of Celtic and the charitable donations made by Celtic Charity Fund during the year are narrated on pages 25 and 26. The Group also made direct charitable donations of £5,800 (2005 : £13,504).

CREDITORS PAYMENT POLICY

It is the Group's policy to pay creditors within the terms agreed when the contract of supply is made, to the extent that the creditors have fulfilled and performed their contractual obligations. Where no terms are agreed, creditors are paid within thirty days of the month end in which the invoice is received. The ratio expressed in days between amounts invoiced to the Group by its suppliers in the year and the amounts owed to its trade creditors at the end of the year was 24 days (2005: 27 days).

GENERAL GROUP POLICIES

Employee Communications

Colleagues at all levels are kept informed regularly of matters that affect the progress of the Group and may be of interest. Presentations are given regularly to colleagues at Celtic Park with copies circulated to all those unable to attend. Representatives of senior management also meet formally with employee representatives nominated by all business units to consult on business development and operational matters.

The Company operates a detailed annual appraisal system for all regular employees which involves a separate one-to-one meeting with their line manager. This provides the opportunity for feedback and comment. An annual performance bonus scheme is operated in conjunction with the appraisal system. Details of this are set out in the Remuneration Report.

Employment Policies

The Group is an equal opportunity employer and committed to positive policies in recruitment, training and career development for all colleagues (and potential colleagues) regardless of marital status, religion, colour, race, ethnic origin or disability. The Group is registered with Disclosure Scotland.

Full consideration is given to applications for employment by disabled persons where the requirement of the job can be adequately fulfilled by a handicapped or disabled person. Where existing colleagues become disabled it is the Group's policy, where practical, to provide continuing employment under similar terms and conditions and to provide training and career development. The Group has obtained recognition from Jobcentre Plus with the award of the right to use the "Positive about Disabled People" logo.

Social Responsibility

The Company is proud of its charitable origins and operates policies designed to encourage social inclusion. These are referred to in the Chief Executive's Review. The activities of Celtic Charity Fund are detailed on pages 25 and 26.

Waste paper and materials are recycled where possible and efforts are being made to reduce energy and water consumption.

HEALTH AND SAFETY

The Group operates strict health and safety regulations and policies. It complies with the requirements of the Green Guide on Safety at Sports Grounds (4th Edition), and obtains its Safety Certificate each year from Glasgow City Council only after rigorous testing and review. Celtic seeks to achieve consistent compliance at all levels with the Health and Safety at Work Act etc 1974, the Management of Health and Safety at Work Regulations 1992 and associated regulations.

Senior executives meet regularly with employee representatives under the auspices of a Health and Safety Committee. This Committee is charged with day-to-day monitoring of health and safety and working practices and the creation and implementation of risk assessments throughout the business.

Accident statistics are collated and reported to the Board at each meeting.

THE INTRODUCTION OF THE EURO

The majority of the Group's business continues to be carried out within the UK, which remains outside European Monetary Union ("EMU"). Should that position change, limited modification of certain systems and some training will be required in order to accommodate dual currencies. These modifications will be performed within the timescale of any UK entry into EMU. Although the costs associated with these modifications cannot be readily quantified at this time, in the opinion of the Directors these are unlikely to have a material impact upon future results.

INFORMATION SUPPLIED TO AUDITORS

So far as each of the Directors is aware at the time the annual report is approved:

- There is no relevant audit information of which the Company's auditors are unaware, and
- They have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

At the Annual General Meeting on 7 October 2005 PKF (UK) LLP were appointed as auditors to the Company. Accordingly, the audit report has been signed in the name of PKF (UK) LLP. Following good corporate governance practice, a tender process for the provision of audit services to the Group is being conducted. A resolution for appointment of the successful candidate will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD
Robert Howat, Secretary 16 August 2006
Celtic Park, Glasgow, G40 3RE


CHAM

Corporate Governance

Following the Extraordinary General Meeting held on 23 November 2005, the listings of the Company's Ordinary Shares, Convertible Preferred Ordinary Shares and Convertible Cumulative Preference Shares on the Official List of the UK Listing Authority were cancelled on 21 December 2005. These shares were then admitted to trading on the AIM market operated by the London Stock Exchange on 22 December 2005.

The Company is not obliged under the AIM Rules to apply the Combined Code on Corporate Governance, or report upon it. However during this transition year, the Company has elected to continue to apply the Combined Code in full and report on the basis of the principles contained in it. This position will be kept under review.

The Board remains committed to providing shareholders with accurate and detailed information about the performance of the Company and to the application of high standards in the governance and management of the Company's affairs.

The Group has complied with the provisions of the Combined Code in force for the accounting period ending 30 June 2006 but draws shareholders' attention to the fact that the Nomination Committee did not require to meet during the year.

Board of Directors
The Board of Directors has a non-executive chairman, five other non-executive Directors and two executive Directors. No appointments were made to the Board during the financial year. The Chairman was absent for several weeks while recuperating from hospital treatment. During that period Brian Wilson undertook responsibilities as Acting Chairman.

Tom Allison is the Senior Independent Director.

All Directors stand for election at the first opportunity arising after appointment, and for re-election at least every three years after that. Following Combined Code Rule A7.2, Directors who have held office for more than 9 years retire and stand for re-election annually. This approach will be applied at the forthcoming AGM for Dermot Desmond and Brian Quinn.

Key decisions, including: financial policies, budgets, strategy and long term planning, major capital expenditure, material contracts, risk management and controls, health and safety and the appointment of the Company's principal external advisers, directors and senior executives are all subject to Board approval. A specific list of matters reserved for the Board is maintained and applied. Compliance is monitored by the Company Secretary.

The Company's executive management are delegated with authority to enter into and implement contracts authorised by the Board or otherwise falling within specified authorisation levels, conduct the Company's day-to-day operations and implement Board decisions and general strategy. Detailed reports are provided at each Board meeting.

Independence
The Board has assessed the independence of each of the non-executive Directors, taking account of the factors stated in the Combined Code.

Dermot Desmond has completed more than nine years' service and has a substantial shareholding. The Chairman, Brian Quinn, has also completed more than nine years' service as a director.

The Board has considered the tests stated in the Combined Code and is entirely satisfied that in their work for and support of the Company these individuals display independence of mind and judgement and objectivity in the contributions they make.

The Board has therefore determined that all of the non-executive Directors are independent.

The non-executive Directors do not participate in Company share option schemes, pension plans or the bonus scheme. Save for individual shareholdings, none of the Directors has a financial interest in the Company.

Review of Director performance
The Board has conducted an evaluation of its performance and that of its Committees, the Chairman and each of the non-executive Directors. This was done by way of a detailed confidential questionnaire issued to all Directors. The results have been discussed in detail by the Board and comments noted.

All non-executive Directors were considered to have performed well and to have met the high standards expected of a Director of the Company. Where any training or development need arises or is identified, the Company will fund attendance at relevant seminars and courses.

The performance of executive Directors is evaluated formally by the Remuneration Committee, against specific objectives set early in the financial year.





Attendance

Twelve Board meetings and 3 meetings of each of the Audit and Remuneration Committees were held during the year. The Nomination Committee did not meet.

Peter Lawwell, Brian McBride, Eric Riley and Brian Wilson attended all Board and Committee meetings for which they were eligible. Mr Hagman attended all meetings for which he was eligible except for one Board meeting due to a pre-existing commitment. Mr Desmond did not attend any Board or Committee meetings personally but was represented at all meetings for which he was eligible.

Brian Quinn missed 3 Board meetings and 1 meeting of the Remuneration Committee as a result of hospital treatment and convalescence. Tom Allison did not attend 2 Board meetings and missed one meeting of each of the Audit and Remuneration Committees, also as a result of illness.

The Board is satisfied that where a Director has not attended a meeting there is sufficient and appropriate reason. Mr Desmond is represented regularly by an alternate, Mr Michael Walsh, who speaks with the full authority of Mr Desmond. The Chairman also speaks with Mr Desmond before Board meetings as well as regularly with all Directors and where they are unable to attend or be represented at a meeting, establishes and communicates their views on the business of the meeting, on their behalf.

The Board is supplied in a timely fashion with appropriate information.

All Directors are entitled to seek professional advice, at the Company's expense, to assist them in the performance of their duties. The Directors also have access to the advice and services of the Company Secretary.

Board Committees

The Board has three standing committees to which certain responsibilities are delegated, namely: Audit, Remuneration and Nomination. Each Committee has written terms of reference. These are published on the Company's website.

Membership of each standing Committee is restricted to non-executive Directors. Only independent non-executive Directors are entitled to sit on the Audit and Remuneration Committees. Executive Directors, the Company Secretary and other executives and advisers attend certain Committee meetings as required, but are not Committee members.

Audit Committee

The Committee consists of Eric Hagman (Chair), Tom Allison, Dermot Desmond, and Brian McBride. It met three times in the year. The external auditor, Company Secretary, Financial Director and other members of the accounting team attend routinely. Business is also conducted without executive Directors and the auditors being present, when appropriate.

The Audit Committee has a number of key roles:

- review of Group's accounting policies, internal controls and financial reporting
- monitoring health and safety
- risk management and business continuity planning
- monitoring the scope, quality and independence of the external and internal audit functions
- appointment and fees of the external auditors.

The auditors are required to disclose any potential conflicts, contracts with the Company and non-audit work conducted by them. The Company has guidelines in place governing the appointment of professional advisers, including the auditors.

The Audit Committee, on behalf of the Board, was satisfied that audit objectivity and independence had been maintained during the year.

Remuneration Committee

This Committee met on 3 occasions in the last financial year. Tom Allison chairs this Committee with Brian Quinn and Brian McBride being the other members.

The Remuneration Committee determines the terms of engagement and remuneration of the Company's executive Directors, Company Secretary and certain senior executives, on behalf of the Board. The Committee also monitors the Company's executive share option scheme and implementation of other executive and employee incentive schemes. The Remuneration Report is set out in detail on pages 19 to 22.

Nomination Committee

This Committee comprises Brian Quinn as Chairman, Dermot Desmond and Tom Allison. It meets as necessary, principally to consider and recommend new appointments to the Board and senior positions in the Company for succession purposes. The Committee did not meet during the financial year. Executive search consultants are used by the Committee where considered appropriate but were not used in the course of this year.

INVESTOR COMMUNICATION

Dialogue with shareholders remains an important part of the Board's work.

Matchday events and investor dinners are used as informal, but effective methods of communicating with shareholders. The Annual General Meeting in particular is used to encourage participation of shareholders. Extraordinary General Meetings were held in July 2005 for the purpose of introducing the dividend reinvestment scheme and again in November 2005 relating to the proposed share issue and changes to the Articles of Association. Open Days were held at Celtic Park in advance of these events and various presentations were given. At each of these events shareholders are invited to ask questions and to meet with the Directors informally.

The Company's website is used to provide information on an ongoing basis and the Group Financial Statements and other information are published there shortly after release.

REPORTING AND INTERNAL CONTROLS

The Board's Review of Internal Control

Risk management, compliance and internal control programmes are approved, monitored and reviewed by the Audit Committee throughout the year on behalf of the Board. The results of these programmes are reported to the Audit Committee in detail at each of its meetings and then communicated to the Board at the next following Board meeting.

The Board is satisfied that there is an ongoing and effective process for identifying, assessing and managing all significant risks facing the Group.

Internal Financial Control

The Board has ultimate responsibility for ensuring that a balanced and understandable assessment of the Group's financial position and prospects is presented. The Annual Report and Financial Statements are an essential part of this presentation. The Directors are committed to achieving high levels of disclosure within the confines of preserving the Group's competitive position and maintaining commercial confidentiality.

The internal financial control procedures are designed to give reasonable but not absolute assurance that the assets of the Company and the Group are safeguarded against material misstatement or loss and that proper accounting records are maintained.

The key features of the control system are as follows:

Control Environment: an appropriate framework is in place to plan, control and monitor the Group's activities including an annual budget and a rolling five year plan.
Business Risk Assessment: the financial implications of significant business risks are kept under review and controlled by the Board.
Financial Reporting: comprehensive internal forecasting is carried out and updated regularly. Monthly results are reported and significant variances from budget identified and investigated.

The effectiveness of the system of internal financial control takes account of any material developments that have taken place in the Group and in applicable rules and legislation. The review is currently performed on the basis of the criteria in the Turnbull Guidance.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.



Remuneration Report

REMUNERATION REPORT
This Report has been prepared in accordance with applicable regulations. It has been approved and adopted by the Board. The information contained within the tables on pages 20 and 22 and the paragraphs entitled "Pension" and "Share options" below has been subject to audit in accordance with The Directors' Remuneration Report Regulations 2002.

The Remuneration Committee ("the Committee")
The Committee has formal terms of reference which are published on the Company's website. The Committee members serving during the year are identified on page 17.

Remuneration Policy
Notwithstanding the move to AIM, and the removal of the obligation to apply the Combined Code, the Company has elected to report against these requirements for the year ended 30 June 2006 and confirms that it has complied with the Code during that period in connection with executive remuneration in force during that time.

The main objective remains to attract, retain and motivate experienced and capable individuals who will make a significant contribution to the Company's success but without paying more than is reasonable or necessary. Account is taken of the level of remuneration packages available within other comparable companies and sectors, the Company's performance against budget in the year and against actual performance from year to year. Specific corporate and personal objectives are used for executive Directors and certain senior executives. A similar appraisal system is also applied to regular employees throughout the Company.

The Committee obtains advice from the Company Secretary, Head of Human Resources and from independent research. External consultants were not used during the year.

The service contracts of executive Directors can be terminated on no more than one year's notice and do not provide for pre-determined compensation on termination, or for loss of office. Compensation due, if any, is determined by reference to the applicable notice period and reason for termination.

The Company operates an annual bonus scheme for all of its regular employees in order to encourage out-performance, and motivate and retain staff.

The Celtic plc Executive Share Option Scheme expired in December 2004 and has not been replaced. Options granted prior to then are not affected. Further details on outstanding share options are given below.

Remuneration of Executive Directors and Senior Executives
Payments made to Directors in the financial year are set out in the table on page 22. There are several main elements to the Company's executive remuneration packages:

Basic salary and benefits
The Committee reviews base salaries for executive Directors and senior executives annually, on promotion and exceptionally during the year if significant additional responsibilities have been undertaken.

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

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

Annual Performance Related Bonus Scheme
The Group operates a bonus scheme for executive Directors and all full and part-time employees on regular contracts, with the following key objectives:

- Improving and sustaining the financial performance of the Group from year to year;
- Delivering and enhancing shareholder value;
- Enhancing the reputation and standing of Celtic;
- Delivering consistently high standards of service to Celtic and its customers; and



- Attracting, retaining and motivating talented individuals whose skills and services will enable Celtic to meet its strategic objectives.

Performance conditions reflect corporate financial performance and satisfaction of personal objectives. Corporate financial performance incorporates both performance against budget and the previous year's results. Maximum award levels depend upon seniority and contractual entitlements. The awards range from a maximum of 20% of salary to a maximum of 60% of salary. The Committee reviews the bonus scheme structure and performance conditions annually. Bonus payments are not pensionable.

Football players and the football management team are subject to a separate bonus scheme that rewards on-field success.

Pension

The Company operates a Group pension plan, with defined contributions, in which the Financial Director, several senior executives and a number of other employees participate. Pension contributions for Peter Lawwell are made to an independent pension provider. Stakeholder arrangements are available to qualifying employees. The Company does not operate any defined benefit (final salary) schemes.

Share options

The Celtic plc Executive Share Option Scheme ("the Scheme") expired in December 2004, having been in place for ten years. No further grants of options can be made under it.

The only Directors participating in the Scheme are Peter Lawwell and Eric Riley.

The last grant of options over Ordinary Shares of 1p under the Scheme was on 27 October 2003 to Peter Lawwell at an option price of 51p. The options granted then and in the preceding grant in September 2001, including those granted to the Directors, are exercisable in total only after three years from the date of grant and provided that over three consecutive financial years:

- the increase in market value of the Company's shares would place the Company in the top one third of companies within the Leisure, Entertainment and Hotels sector of the FTSE; and
- if the percentage growth in earnings per share over three consecutive financial years exceeds percentage growth in RPI over the same period by an average of at least 3% per year.

The performance criteria stated above are regarded as a challenging and realistic test of comparative financial performance, with a view to securing consistent growth and shareholder return against the sector. These options, unless exercised or lapsing earlier, lapse on the tenth anniversary of the date of the grant.

The interests of executive Directors serving during the year under the Scheme are set out in the table at the bottom of this page.

On 24 April 1997, a limited number of employees were granted options over Ordinary Shares (then having a nominal value of £1.00 each, now 1p each) at the market value on that date of £3.00. None of those options lapsed during the year. At the balance sheet date, options from that grant over 60,000 Ordinary Shares of 1p remained. These options are exercisable at any time between 24 April 2002 and 24 April 2007 and are not subject to performance conditions.

No options over Ordinary Shares from the grant in September 2001 lapsed during the year. At 30 June 2006, the total number of options outstanding over Ordinary Shares, including those of the executive Directors and those remaining from the grant in 1997 was 1,283,704.

50,000,000 new Ordinary Shares of 1p each were allotted and issued during the year under the Open Offer and Offer for Subscription in December 2005. Under the terms of the Scheme, in such circumstances the number of shares over which options subsist and the acquisition price, are to be adjusted in such manner as the Company's auditors consider is fair and reasonable. The prior consent of H M Revenue and Customs to any adjustment is required. Advice has been received from the Company's auditors in accordance with this requirement but no change has been implemented pending HM Revenue and Customs approval.

The market price of Ordinary Shares on 30 June 2006 was 27.0p (2005: 61.5p). The price range during the year was 27.0p to 61.5p.

	Balance at 1 July 2005 Number	Granted 2005/06	Exercised/ Lapsed 2005/06	Balance at 30 June 2006 Number	Exercise price	Class	Option Period
P T Lawwell	588,234	-	-	588,234	51.0p	Ordinary 1p	Oct 2006/13
E J Riley	413,053	-	-	413,053	107.5p	Ordinary 1p	Sept 2004/11

Service Agreements

Executive Directors

Peter Lawwell's service contract as Chief Executive commenced on 25 October 2003. It continues subject to 12 months' notice by him to the Company or by the Company to him. Mr Lawwell is, with the consent of the Company, non-executive chairman of Intelligent Office Limited (formerly Electronic Document Services Limited). He retains the annual fee of £17,500 payable for that post. Mr Lawwell is entitled to a maximum payment under the Company's bonus scheme of 60% of basic salary, if all performance conditions are satisfied.

Eric Riley's service agreement as Financial Director commenced on 19 August 1994 and continues subject to termination on twelve months' notice from the Company, or three months' notice from the Financial Director. Mr Riley is entitled to a maximum payment under the Company's bonus scheme of 50% of basic salary, if all performance conditions are satisfied. Mr Riley serves as a non-executive director of the Scottish Football Association Limited and of The Scottish Premier League Limited. No fee is payable for either post.

Termination by the Company of the contracts of these Directors on shorter notice than provided for in the contracts, other than for misconduct, would be likely to create a requirement for payment of compensation related to the unexpired element of the notice period.

Non-executive Directors

Individual letters govern the appointments of the Chairman and the non-executive Directors. Typically, non-executive Directors are expected to serve for at least three years. All appointments provide for a stated duration, in accordance with best practice.

Remuneration of Directors

Directors' remuneration and benefits are set out in the table opposite.

Remuneration of non-executive Directors is for service on the Board and its Committees and is reviewed by the Board as a whole each year against fees in comparable companies of a similar size and taking account of overall financial performance of the Company. No increase in non-executive Director fees was applied during the year. There has been no increase in non-executive Directors' fees since 1998.

The non-executive Directors have no personal financial interest other than as shareholders. They are not members of the Company's pension scheme and do not participate in any bonus scheme, share option or other profit schemes. All Directors are entitled to one seat in the Presidential Box without charge for each home match, to assist them in performing their duties.

The Company Chairman is entitled to take up to 50% of his fees in Ordinary Shares of the Company and has the use of a Company car and driver on Company business.

Shareholder Return

The graph below compares the total shareholder return on an investment of £100 in the Ordinary Shares of Celtic plc over a five year period commencing on 1 July 2001 with the total shareholder return over the same period on a notional investment of £100 made up of shares of the same kinds and number as those by reference to which the FTSE Leisure and Hotels index is calculated. In the opinion of the Directors, the FTSE Leisure and Hotels index, of which the Company is a constituent, is currently the most appropriate index against which the total shareholder return of the Company should be measured, as it is most likely to be used by investors, shareholders and management as a measure of performance in the leisure and hotel sector. This index includes other listed football clubs and is currently utilised as the benchmark against which performance under the Company's Executive Share Option Scheme is assessed. Total shareholder return represents the change in value of a holding of shares over the relevant period assuming immediate reinvestment of dividends.



The Chairman of the Committee will be available to answer questions concerning Directors' remuneration at the Company's Annual General Meeting.

BY ORDER OF THE BOARD

Robert Howat, Secretary
Celtic Park
Glasgow, G40 3RE

16 August 2006

PERFORMANCE GRAPH



	Salary/Fees £	Bonus £	Benefits in kind £	Pension Contributions £	2006 Total £	2005 Total £
B. Quinn CBE	30,000	-	-	-	**30,000**	30,000
P. Lawwell	180,075	67,528	16,592	27,011	**291,206**	298,961
E. Riley	125,055	39,080	18,527	18,758	**201,420**	211,083
T. Allison	15,000	-	-	-	**15,000**	15,000
D. Desmond	15,000	-	-	-	**15,000**	15,000
E. Hagman CBE	15,000	-	-	-	**15,000**	15,000
B. McBride	15,000	-	-	-	**15,000**	7,315
B. Wilson	15,000	-	-	-	**15,000**	1,250
	410,130	106,608	35,119	45,769	**597,626**	593,609



Statement of Directors' Responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the Group's profit or loss for that period. In preparing those Financial Statements, the Directors are required to:

- **select suitable accounting policies and then apply them consistently;**
- **make judgements and estimates that are reasonable and prudent;**
- **state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and**
- **prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.**

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report, Remuneration Report and other information included in the Annual Report is prepared in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. They are also responsible for ensuring that the annual report includes information required by the AIM Rules of the London Stock Exchange.

The Directors intend to publish these Financial Statements on the website www.celticfc.net. The maintenance and integrity of the website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

FIVE YEAR RECORD

FINANCIAL	2006 £000	2005 Restated £000	2004 Restated £000	2003 Restated £000	2002 Restated £000
TURNOVER	**57,411**	62,168	69,020	60,569	56,892
PROFIT FROM OPERATIONS	**3,737**	4,100	4,870	6,730	5,370
LOSS AFTER TAXATION	**(4,222)**	(8,706)	(8,406)	(12,573)	(3,898)
NON EQUITY DIVIDENDS PAID	**1,445**	1,445	1,455	1,457	1,301
NET ASSETS	**22,097**	11,728	20,434	28,840	41,413
SHARES IN ISSUE (EXCL. DEFERRED) ('000)	**115,828**	65,762	65,762	65,762	65,762
LOSS PER ORDINARY SHARE	**(7.19p)**	(28.27p)	(27.46p)	(41.14p)	(12.81p)
DILUTED LOSS PER SHARE	**(7.19p)**	(28.27p)	(27.46p)	(41.14p)	(12.81p)
NUMBER OF EMPLOYEES	**489**	453	493	418	392

FOOTBALL	2006	2005	2004	2003	2002
LEAGUE POSITION	**1**	2	1	2	1
LEAGUE POINTS	**91**	92	98	97	103
SCOTTISH CUP	**THIRD ROUND**	WINNERS	WINNERS	QUARTER FINAL	FINAL
LEAGUE CUP	**WINNERS**	QUARTER FINAL	QUARTER FINAL	FINAL	SEMI FINAL
EUROPEAN TIES PLAYED	**1**	3	8	8	5

CELTIC PARK	2006	2005	2004	2003	2002
STADIUM INVESTMENT TO DATE (£000)	**58,439**	58,328	56,408	55,632	54,069
STADIUM SEATING CAPACITY	**60,355**	60,355	60,355	60,355	60,501
AVERAGE HOME LEAGUE ATTENDANCE	**58,193**	57,965	58,420	57,154	58,589
SEASON TICKET SALES	**53,602**	53,369	53,158	53,464	53,457

Independent auditors' report to the members

We have audited the group and parent company financial statements ('the financial statements') of Celtic plc for the year ended 30 June 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ("United Kingdom Generally Accepted Accounting Practice") are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the chairman's statement, the chief executive's review, the financial review, the directors' report, the corporate governance report and the remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information in the directors' report includes that specific information presented in the operating and financial review that is cross referenced from the business review section of the directors' report.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- **the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2006 and of the group's loss for the year then ended;**
- **the financial statements have been properly prepared in accordance with the Companies Act 1985; and**
- **the information given in the directors' report is consistent with the financial statements.**

PKF (UK) LLP
Registered Auditors
Glasgow, UK
16 August 2006



Celtic Charity Fund

Celtic Charity Fund, the charitable arm of Celtic Football Club has enjoyed another very successful year. Hard work and the overwhelming generosity of our supporters helped raise a significant amount for the Fund last year.

We believe that Celtic is unique in world football as the only club originally formed to raise money for the needy. The Celtic Charity Fund strives to continue that work and ensure that those areas of need identified by Brother Walfrid over a century ago still receive our support. As always, the money raised has come from Celtic Football Club, Celtic supporters, colleagues, directors, players, as well as corporate clients and many members of the general public who support Celtic's charitable traditions. To these people we owe our gratitude for allowing Celtic Charity Fund to flourish and provide help and support to so many people in need.

The main fundraising event held during the year was the annual Celtic Charity Fund Sporting Dinner (March 2006). The exceptional fundraising efforts at this event allowed the Charity Fund to disburse donations in excess of £140,000 to deserving causes during the year.

In addition to the many cash donations made throughout the year, Celtic also donated hundreds of autographed shirts and footballs, complimentary tickets and a range of other items to numerous worthwhile charitable organisations. Representatives from Celtic also made many visits to hospitals and to charity and community events.

The principal beneficiary of our charity fundraising dinner this year was SOS Children's Villages, which constructs children's villages throughout the world, and launched it's '6 Villages for 2006' campaign in conjunction with FIFA as the official 2006 World Cup charity campaign. Celtic Manager Gordon Strachan kindly agreed to be the Scottish ambassador for this Campaign and through Celtic's association, thousands of pounds have been donated towards the building of a village in South Africa for orphaned and destitute children.

Yorkhill Hospital's Schiehallion Unit for seriously ill children was again treated to a Christmas Party attended by Celtic's first team squad and members of our football management team. A donation of several thousand pounds was presented towards the excellent work being undertaken at the Unit.

For the eighth successive year, Celtic Charity Fund was the principal sponsor of the famous Glasgow Taxis Outing Fund for Sick Children, which was celebrating its 61st annual event. Around 250 black cabs took hundreds of children with special needs or from disadvantaged circumstances on the trip of a lifetime from Glasgow to Troon, with the colourful convoy making its way through the city and treating some very deserving children to a great day out.

Over the last year, Celtic Charity Fund has again made donations to a number of homeless organisations. The Glasgow Simon Community has received support from Celtic for a number of years, and this support continued as has the Fund's support of the Loaves & Fishes organisation.

Celtic's efforts to work against bigotry and our promotion of social inclusion continued throughout the year. The Club's joint work with Glasgow City Council and Rangers Football Club developed further through the Old Firm Alliance and Old Firm United projects. The Celtic Learning initiative was also launched at Celtic Park with the opening of a state of the art learning centre. This has already proved to be an overwhelming success. Celtic was also pleased to continue its support of the Sense over Sectarianism project.

Through close co-operation with a number of organisations including Glasgow City Council and the UK Asian Football Championships, Celtic was also pleased to continue its support of a number of multicultural initiatives. This co-operation will continue as we look for new and meaningful ways to work in partnership to support new and emerging international communities in Glasgow and in Scotland.

The Charity Fund continued its policy of supporting initiatives at both local and national level, with Alzheimer's Scotland, The Scottish Spina Bifida Association, Breast Cancer Care, Riding for the Disabled and the British Red Cross being just a few of the many beneficiaries.

Celtic Football Club is proud that today it continues to honour the charitable objectives of the Club's founder Brother Walfrid. Through its charitable arm the Club is already considering a number of worthwhile organisations for the coming year.



Celtic Charity Fund has the following aims:

- To raise funds and support specific areas of charity work, selected each year by Celtic Football Club;
- To uphold and promote the charitable principles and heritage of Celtic Football Club.

Celtic Charity Fund has identified three principal areas of support:

- Charities in support of children's needs;
- Community action on drugs;
- Projects that develop religious and ethnic harmony.

And three subsidiary areas:

- Supporting the homeless;
- Helping the unemployed;
- Support and research for projects aiding the afflictions of illness.

We would like once again to record our sincere thanks to the Celtic Charity Fund Raising Action Group members Charles Barnett and Martin Super for their continued efforts as well as the Trustees and many volunteers who have worked extremely hard to again achieve such a high level of success throughout the year and have ensured that Celtic's charitable principles are maintained.

If you wish to support Celtic Charity Fund, please send your donation to:
Celtic Charity Fund
Public Relations Department
Celtic Football Club
Celtic Park, Glasgow G40 3RE



Group Profit And Loss Account

Year Ended 30 June 2006

		2006			2005 As restated
	Notes	Operations excluding player trading £000	Player trading £000	Total £000	£000
TURNOVER – group and share of joint venture		**57,859**	**-**	**57,859**	62,636
LESS SHARE OF JOINT VENTURE		**(448)**	**-**	**(448)**	(468)
GROUP TURNOVER	2	**57,411**	**-**	**57,411**	62,168
OPERATING EXPENSES	3	**(53,674)**	**-**	**(53,674)**	(58,068)
PROFIT FROM OPERATIONS		**3,737**	**-**	**3,737**	4,100
EXCEPTIONAL OPERATING EXPENSES	3, 4	**(179)**	**(400)**	**(579)**	(2,957)
AMORTISATION OF INTANGIBLE FIXED ASSETS	3, 13	**-**	**(5,095)**	**(5,095)**	(7,340)
GROUP OPERATING PROFIT/(LOSS)		**3,558**	**(5,495)**	**(1,937)**	(6,197)
LESS SHARE OF OPERATING PROFIT IN JOINT VENTURE		**-**	**-**	**-**	-
TOTAL OPERATING PROFIT/(LOSS)		**3,558**	**(5,495)**	**(1,937)**	(6,197)
LOSS ON DISPOSAL OF INTANGIBLE FIXED ASSETS		**-**	**(265)**	**(265)**	(139)
LOSS ON DISPOSAL OF TANGIBLE FIXED ASSETS		**(250)**	**-**	**(250)**	(103)
PROFIT/(LOSS) BEFORE INTEREST AND TAXATION		**3,308**	**(5,760)**	**(2,452)**	(6,439)
INTEREST PAYABLE:	8				
BANK LOANS AND OVERDRAFTS				**(999)**	(1,294)
NON EQUITY SHARES				**(771)**	(973)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				**(4,222)**	(8,706)
TAXATION ON LOSS ON ORDINARY ACTIVITIES	9			**-**	-
LOSS FOR THE YEAR	22			**(4,222)**	(8,706)
RETAINED LOSS FOR THE YEAR				**(4,222)**	(9,178)
LOSS PER ORDINARY SHARE	11			**(7.19p)**	(28.27p)
DILUTED LOSS PER SHARE	11			**(7.19p)**	(28.27p)

All amounts relate to continuing operations.

There were no gains or losses recognised in 2005 or 2006 other than the loss for the year.

Group Balance Sheet

Year Ended 30 June 2006

	Notes	2006 £000	2006 £000	2005 As restated £000	2005 As restated £000
FIXED ASSETS					
Tangible assets	12		49,924		48,983
Intangible assets	13		7,593		5,253
Investment in joint venture:	14				
Share of gross assets in joint venture			-		487
Share of gross liabilities in joint venture			-		(487)
Share of net assets			-		-
			57,517		54,236
CURRENT ASSETS					
Stocks	15	1,901		1,987	
Debtors	17	5,029		4,633	
Cash at bank and in hand		2,914		171	
		9,844		6,791	
CREDITORS - Amounts falling due within one year	18	(15,481)		(14,078)	
Income deferred less than one year	19	(12,589)		(11,234)	
		(28,070)		(25,312)	
NET CURRENT LIABILITIES			(18,226)		(18,521)
TOTAL ASSETS LESS CURRENT LIABILITIES			39,291		35,715
CREDITORS - Amounts falling due					
after more than one year	20		(17,194)		(23,987)
NET ASSETS			22,097		11,728
CAPITAL AND RESERVES					
Called up share capital (includes non-equity)	21		23,450		22,948
Other reserve	22		21,222		21,222
Share premium account	22		14,089		-
Capital redemption reserve	22		1,739		1,068
Profit and loss account	22		(38,403)		(33,510)
SHAREHOLDERS' FUNDS	23		22,097		11,728

The Financial Statements were approved and authorised for issue by the Board on 16 August 2006 and were signed on its behalf by

Peter T Lawwell Director

Eric J Riley Director

Company Balance Sheet
Year Ended 30 June 2006

	Notes	2006 £000	2006 £000	2005 As restated £000	2005 As restated £000
FIXED ASSETS					
Tangible assets	12		49,924		48,983
Intangible assets	13		7,593		5,253
Investment in joint venture:	14				
Share of gross assets in joint venture			-		487
Share of gross liabilities in joint venture			-		(487)
Share of net assets			-		-
			57,517		54,236
CURRENT ASSETS					
Debtors (includes **£29.94m** (2005: £21.91m) recoverable after more than one year)	17	30,659		22,492	
Cash at bank and in hand		4		44	
		30,663		22,536	
CREDITORS - Amounts falling					
due within one year	18	(9,484)		(4,870)	
NET CURRENT ASSETS			21,179		17,666
TOTAL ASSETS LESS CURRENT LIABILITIES			78,696		71,902
CREDITORS - Amounts falling due					
after more than one year	20		(15,814)		(23,987)
NET ASSETS			62,882		47,915
CAPITAL AND RESERVES					
Called up share capital (includes non-equity)	21		23,450		22,948
Other reserve	22		21,222		21,222
Share premium account	22		14,089		-
Capital redemption reserve	22		1,739		1,068
Profit and loss account	22		2,382		2,677
SHAREHOLDERS' FUNDS			62,882		47,915

The Financial Statements were approved and authorised for issue by the Board on 16 August 2006 and were signed on its behalf by

Peter T Lawwell Director

Eric J Riley Director

Group Cash Flow Statement

Year Ended 30 June 2006

	2006 £000	2005 As restated £000
RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating loss	(1,937)	(6,197)
Depreciation	1,798	1,627
Amortisation of intangible fixed assets	5,095	7,340
Provision for impairment of intangible fixed assets	400	1,402
Decrease / (increase) in stocks	86	(224)
(Increase) / decrease in debtors	(308)	584
(Decrease) / increase in creditors and deferred income	(159)	669
Net cash inflow from operating activities	4,975	5,201
CASH FLOW STATEMENT		
Net cash inflow from operating activities	4,975	5,201
Returns on investments and servicing of finance (Note 24)	(1,520)	(1,848)
Capital expenditure and financial investment (Note 24)	(6,869)	(4,507)
Cash outflow before use of liquid resources and financing	(3,414)	(1,154)
Financing (Note 24)	(8,393)	954
Net proceeds of equity share capital	14,550	-
Increase / (decrease) in cash	2,743	(200)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 25)		
Increase / (decrease) in cash in the period	2,743	(200)
Cash outflow / (inflow) from movement in debt	8,393	(954)
Change in net debt resulting from cash flows	11,136	(1,154)
Non cash movement in debt	(210)	(373)
Movement in net debt in the period	10,926	(1,527)
Net debt at 1 July	(24,891)	(23,364)
Net debt at 30 June	(13,965)	(24,891)

1 ACCOUNTING POLICIES

(a) Accounting convention & basis of preparation

The Financial Statements are prepared under the historical cost convention and comply with applicable accounting standards.

The Financial Statements have been prepared on the same basis and using the same accounting policies as those used in the Financial Statements for the year ended 30 June 2005 save for the implementation of the presentational aspects of FRS 25 ("Financial Instruments: disclosure and presentation") in the preparation of these annual results. Under FRS 25 the Group's Preference Shares and Convertible Preferred Ordinary Shares, as compound financial instruments, have been reclassified as a combination of debt and equity and non-equity dividends reclassified as interest with a resultant reduction in Shareholders' Funds. **Consequently, net assets of the Group at 30 June 2006 are reported £3.81m below that which would have been reported prior to the implementation of FRS 25.** As a result of the differing accounting treatment of the Convertible Preferred Ordinary Share dividends under FRS 25, there is a requirement under the capital maintenance provisions of the Companies Act 1985 to transfer an element of distributable reserves into a capital redemption reserve. The comparatives for the twelve months to 30 June 2005 have been restated to reflect the requirements of FRS 25 and the Companies Act 1985.

The Group's Profit and Loss Account follows the Financial Reporting Guidance for Football Clubs issued in February 2003 by The Football League, The FA Premier League and the FA, although the turnover within Note 2 continues to be analysed in accordance within the headings of the business operations of the Group.

(b) Basis of consolidation

The consolidation includes the Financial Statements of the Company and its subsidiary undertakings and is based on their audited Financial Statements for the year ended 30 June 2006. All subsidiaries are accounted for using acquisition accounting. Entities in which the Group holds an interest on a long term basis and which are controlled jointly by the Group and other parties are treated as joint ventures.

The Group profit and loss account includes the Group's share of turnover and operating profit or loss of the joint venture. The investment in the joint venture is shown in the balance sheet using the gross equity method. The gross equity method records the Group's share of the gross assets and gross liabilities in its joint venture. The results for the joint venture are based on the management accounts to 31 March 2006, the date at which the Group disposed of its interest in the joint venture.

As provided by Section 230 of the Companies Act 1985 a separate profit and loss account has not been presented for the Company.

The Group has taken advantage of the exemption provided by Paragraph 3(C) of Financial Reporting Standard 8 and accordingly has not disclosed any transactions with Group undertakings.

(c) Depreciation

Tangible fixed assets are stated at cost and written off to their residual values over their estimated useful lives at the following annual rates:

Plant and vehicles	10% - 25% reducing balance
Fixtures, fittings and equipment	10% - 33% reducing balance
Buildings (excluding Stadium)	4% - 10% straight line
Football Stadium	1.33% straight line

In accordance with FRS 15 the Group carries out an annual impairment review of the stadium.

Freehold land is not depreciated.

Assets under construction amounting to £1.53m (2005: £nil) are not depreciated and include capitalised interest of £0.01m.

(d) Intangible fixed assets

Initial costs directly attributable to the acquisition and retention of football personnel are capitalised and treated as intangible fixed assets. Subsequent amounts relating to the retention of football personnel are capitalised only when they become unavoidable due to the elimination of all contingent events relating to their payment. All of these amounts are amortised over the contract period remaining from their capitalisation to nil residual values.

When a playing contract is extended, any costs associated with securing the extension are capitalised and the unamortised balance is amortised to a residual value of nil on a straight line basis over the remaining term of the contract period.

1 ACCOUNTING POLICIES (Continued)

(e) Turnover

Turnover which is exclusive of value added tax represents match receipts and other income associated with the continuing principal activity of running a professional football club. Turnover is analysed between professional football, multimedia and communications, merchandising, stadium enterprises and youth development revenue streams.

Professional football turnover arises from all ticket sales, standard, premium and corporate, derived from matches played at Celtic Park together with the share of the ticket sales for neutral venue matches and match fees received from playing friendly matches away from Celtic Park.

Multimedia and communications turnover includes all revenue derived from television rights sales, sponsorship, publications, internet products and joint marketing initiatives with commercial partners.

Merchandising turnover includes the revenues from Celtic's retail outlets including home shopping, wholesale revenues and other royalty revenues derived from the exploitation of the Celtic brand.

Stadium enterprises turnover reflects the revenues derived from matchday and non-matchday catering and banqueting, stewarding revenues and revenues derived from the hiring of Celtic Park for football and non-football events.

Youth development turnover includes the Celtic Visitor Centre revenues, soccer school revenues and the donations received from Celtic Development Pools Limited.

All turnover is recognised when the event to which it relates takes place. Income relating to future events is treated as deferred.

(f) Grants

Grants in respect of capital expenditure on assets, which are depreciated, are treated as deferred income, a proportion of which is transferred to revenue annually over the estimated useful life of the asset.

Grants in respect of capital expenditure on assets which are not depreciated are deducted from the cost of the asset. This represents a departure from the requirements of the Companies Act 1985; the financial effect of this departure is disclosed in Note 12. In the opinion of the Directors the accounting treatment adopted is appropriate in order to show a true and fair view on the basis that the grants are specific to the acquisition of the assets concerned and not made as a contribution to finance the general activities of the Company or the Group. Other grants of a revenue nature are credited to revenue as received.

(g) Leasing obligations and hire purchase

Leasing charges in respect of operating leases are recognised in the Group Profit and Loss Account over the lives of the lease agreements as incurred.

Assets acquired under hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the Group Profit and Loss Account over the period of the agreement on a straight line basis.

(h) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.

(i) Pension costs

The Group operates defined contribution schemes providing benefits for employees additional to those from the state. The pension cost charge includes contributions payable by the Group to the funds in respect of the year.

(j) Foreign exchange

Transactions denominated in foreign currency are translated at the date of the transaction. Foreign currency assets and liabilities at the year-end are translated at the year end exchange rate or the exchange rate of a related forward contract if applicable. The resulting exchange gain or loss is dealt with in the Group Profit and Loss Account at the date of crystallisation.

(k) Deferred tax

Deferred tax is provided using the full provision method and is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, discounted to reflect the time value of money. Deferred tax assets are incorporated within the Financial Statements to the extent that it is more likely than not that they will be recoverable in the foreseeable future.

2 TURNOVER

Turnover in respect of the five business operations comprised:	2006 £000	2005 £000
Professional football	26,659	31,432
Multimedia and communications	11,889	16,604
Merchandising	14,337	10,060
Stadium enterprises	2,779	2,536
Youth development	1,747	1,536
	57,411	62,168

3 OPERATING EXPENSES

Total operating expenses comprised:	2006 £000	2005 £000
Staff costs (Note 5)	32,490	37,394
Depreciation of tangible fixed assets (Note 12)	1,798	1,627
Other operating charges	19,386	19,047
	53,674	58,068
Amortisation of intangible fixed assets (Note 13)	5,095	7,340
Exceptional operating expenses (Note 4)	579	2,957
Total operating expenses	59,348	68,365

Other operating charges include:		2006 £000	2005 £000
Auditors' remuneration	: audit fees	29	29
	: other fees	31	60
Operating lease payments	: land and buildings	920	648
	: plant & vehicles	36	46

Auditor's other fees relate to taxation advisory services £21,000 (2005: £21,000), other advisory services £10,000 (2005: £27,000) and accounting advice £nil (2005: £12,000) provided during the year.

4 EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £0.58m(2005: £2.96m) incorporated in the profit and loss account reflect £0.18m in respect of labour costs largely arising as a result of the early termination of certain player contracts and a provision of £0.40m in respect of a provision for impairment of intangible fixed assets. Last year's costs of £2.96m reflected £1.56m of labour costs and other ancillary expenses and £1.40m in respect of a provision for impairment of intangible fixed assets, largely arising as a result of the early termination of certain player contracts.

5 STAFF PARTICULARS

	2006 £000	2005 £000
Wages and salaries	29,136	32,050
Contribution to Employee Benefit Trust	-	765
Social security costs	2,894	3,670
Other pension costs	460	909
	32,490	37,394

The Celtic plc Employee Benefit Trust was established during 2005 to provide benefits to certain employees, former employees or their families or any charity. Payments to the Trust are charged to the Group Profit and Loss Account in the year incurred.

	Number	Number
Average number of full time equivalent employed in the year:		
Professional football and youth development	167	154
Other business operations	322	299
	489	453

6 DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are included within the Remuneration Report on pages 19 to 22.

7 PENSION COSTS

The assets of the Group pension scheme are held separately from those of the Group by The Standard Life Assurance Company. Contributions made by the Group to the scheme during the year amounted to £164,277 (2005: £154,479). Contributions of £nil (2005: £19,224) were payable to the fund at the year-end.

8 INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges comprised:	2006 £000	2005 As restated £000
On bank overdrafts	416	407
On bank and other loans	583	871
On hire purchase contracts	-	16
On bank loans and overdrafts	999	1,294
Convertible cumulative preference shares of 60p each	544	544
Convertible preferred ordinary shares of £1 each	227	429
On non – equity shares	771	973
Total interest payable	1,770	2,267

9 TAX ON ORDINARY ACTIVITIES – GROUP

No provision for corporation tax or deferred tax is required in respect of the year ended 30 June 2006. Estimated tax losses available for set-off against future trading profits amount to approximately £44m (2005: £42m). This estimate is subject to the agreement of the current and prior years' corporation tax computations with the HM Revenue and Customs.

The corporation tax assessed for the year is different from the standard rate of corporation tax in the United Kingdom of 30% (2005: 30%). The differences are explained below:

	2006 £000	2005 As restated £000
Loss on ordinary activities before tax	(4,222)	(8,706)
Loss on ordinary activities multiplied by the standard rate of		
corporation tax in the United Kingdom of 30% (2005: 30%)	(1,267)	(2,320)
Effects of:		
Expenses not deductible for tax purposes	24	60
Depreciation for the period in excess of capital allowances	539	488
Dividends reclassified as interest	231	292
Untaxed income	(312)	(327)
Losses created in year	785	2,099
Current corporation tax charge for year	-	-

An explanation regarding the movement in deferred tax is provided at Note 16.

10 DIVIDENDS PAYABLE

A 6% (before tax credit deduction) non-equity dividend of £544,000 is payable on 31 August 2006 to those holders of Convertible Cumulative Preference Shares on the share register at 4 August 2006, together with the amount due in respect of the Convertible Preferred Ordinary Shares fixed dividend of 4% of £900,622 (2005: £900,622). 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. Following the implementation of the presentational aspects of FRS 25 ("Financial Instruments: disclosure and presentation") in the preparation of these annual results the Group's Preference Shares and Convertible Preferred Ordinary Shares, as compound financial instruments, have been reclassified as a combination of debt and equity and the attributable non-equity dividends reclassified as interest.

11 LOSS PER SHARE

The loss per share has been calculated by dividing the loss for the period of £4.22m (2005: £8.71m as restated) by the weighted average number of Ordinary Shares of 58.76 million (2005: 30.80 million) in issue during the year. The diluted loss per share has been calculated using the same figures as the basic calculation. No account has been taken of share purchase options, as these potential ordinary shares are not considered to be dilutive under the definitions of the applicable accounting standards.

12 FIXED ASSETS - TANGIBLE ASSETS

Group and Company
The movement on these accounts during the year was as follows:

	Freehold Land and Buildings £000	Plant and Vehicles £000	Fixtures, Fittings and Equipment £000	Total £000
Cost				
At 1 July 2005	37,567	3,205	18,773	59,545
Additions	1,529	5	1,456	2,990
Disposals	-	-	(644)	(644)
At 30 June 2006	**39,096**	**3,210**	**19,585**	**61,891**
Accumulated Depreciation				
At 1 July 2005	255	1,330	8,977	10,562
Charge for year	259	132	1,407	1,798
Eliminated on disposal	-	-	(393)	(393)
At 30 June 2006	**514**	**1,462**	**9,991**	**11,967**
Net Book Value				
At 30 June 2006	**38,582**	**1,748**	**9,594**	**49,924**
At 30 June 2005	37,312	1,875	9,796	48,983

Freehold Land and Buildings are net of grants received of £2,999,000 (2005: £2,999,000).

13 FIXED ASSETS - INTANGIBLE ASSETS

Group and Company

	2006 £000	2005 £000
Cost		
At 1 July	**38,445**	48,561
Additions	**8,840**	2,340
Disposals	**(23,755)**	(12,456)
At 30 June	**23,530**	38,445
Amortisation		
At 1 July	**33,192**	36,529
Charge for year	**5,095**	7,340
Provision for impairment	**400**	1,402
Disposals	**(22,750)**	(12,079)
At 30 June	**15,937**	33,192
Net Book Value		
At 30 June	**7,593**	5,253

The net loss on sale of player registrations in the year was £265,000 (2005: £139,000).

14 INVESTMENTS

Subsidiaries

The Company's subsidiary undertaking continued to be Celtic F.C. Limited.

In turn, Celtic F.C. Limited holds 100% of the issued ordinary share capital in each of the following companies:

Subsidiary undertaking	Activity
Protectevent Limited	Stewarding and security services
Glasgow Eastern Developments Limited	Management of properties
The Celtic Football and Athletic Company Limited	Football Club management & promotional services

These companies are registered in Scotland and are all included in the consolidated financial statements

Other Investments

Celtic F.C. Limited held an investment of 50% in Setanta (CTV) Broadcasting Limited, a company registered in Ireland which broadcast Celtic TV. This investment was disposed of on 31 March 2006, but was accounted for up until that date within the consolidated financial statements under the gross equity method based on the management accounts of the joint venture, as was the case in 2005. Under the terms of the joint venture agreement, Celtic F.C. Limited was not required to fund any losses that may be accumulated by the joint venture company. The Group had no share of the gross assets less gross liabilities in the joint venture at 30 June 2006 and at 30 June 2005 this was £nil.

The Company also holds an investment of 8.33% in the equity share capital of The Scottish Premier League Limited, a company registered in Scotland.

15 STOCKS

	2006 Group £000	2005 Group £000	**2006 Company £000**	2005 Company £000
Goods for resale	**1,868**	1,956	**-**	-
Consumable stock	**33**	31	**-**	-
	1,901	1,987	**-**	-

16 DEFERRED TAX ASSET

Group

The Group continues to follow the accounting treatment for deferred taxation as prescribed in FRS19. At the balance sheet date the value of deferred tax asset was £13.80m (2005: £10.80m). This asset will be recoverable against future taxable profits of the Group. In addition advance corporation tax of £250,000 is recoverable against future taxable profits of the Group. In line with FRS19 and given the financial difficulties currently being experienced by the football sector, the Group has not recognised the deferred tax asset nor the advance corporation tax asset in the Financial Statements.

Company

At 30 June 2006, the deferred tax asset not reflected in the Company's Financial Statements was £0.69m (2005: £0.66m). This asset will be recovered against future taxable profits of the Company.

17 DEBTORS

Debtors comprised:	2006 Group £000	2005 Group £000	2006 Company £000	2005 Company £000
Trade debtors	1,550	2,382	246	-
Other debtors	1,589	930	337	267
Prepayments and accrued income	1,890	1,321	136	315
Due from subsidiary undertaking	-	-	29,940	21,910
	5,029	4,633	30,659	22,492

The amount due to the Company by its subsidiary undertaking reflects the intercompany balance between the Company and its principal subsidiary, Celtic F.C. Limited. This balance is currently considered to be recoverable in full after more than one year. All other debts are due within one year.

18 CREDITORS - amounts falling due within one year

Creditors comprised:	2006 Group £000	2005 Group As restated £000	2006 Company £000	2005 Company As restated £000
Other loans	164	174	164	174
Bank overdraft	-	-	168	-
Trade creditors	2,932	2,727	1,302	405
Other taxation and social security	2,574	3,596	629	951
Proposed dividends	544	544	544	544
Debt element of non-equity shares	901	901	901	901
Other creditors	336	1,501	227	300
Accruals	8,030	4,635	5,549	1,595
	15,481	14,078	9,484	4,870

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

The reduction in other taxation and social security reflects levels of PAYE and National Insurance Contributions as a combined result of the reduced labour costs in the year and a reduction in the level of end of season football payments made compared to 2005.

The increase in accruals over 2005 is mainly represented by an increase in amounts due in respect of the acquisition of intangible fixed assets.

19 INCOME DEFERRED LESS THAN ONE YEAR

	2006 Group £000	2005 Group £000	2006 Company £000	2005 Company £000
Deferred income	12,589	11,234	-	-

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

20 CREDITORS – amounts falling due after more than one year

	2006 Group £000	2005 Group As restated £000	2006 Company £000	2005 Company As restated £000
Loan instalments	12,000	19,500	12,000	19,500
Debt Element of non-equity shares	3,814	4,487	3,814	4,487
Deferred income	1,380	-	-	-
	17,194	23,987	15,814	23,987

Group and Company	2006 £000	2005 £000
Loan instalments are repayable as follows:		
In one year or less	-	-
Between one and two years	-	-
In more than five years	12,000	19,500
	12,000	19,500

Loans repayable by instalments include bank loans of £12.00m (2005: £19.50m). These loans bear interest at London Inter-Bank Offered Rate plus 1.125%. These loans form part of a £24.00m loan facility which is repayable in equal quarterly instalments from October 2009 until April 2019 and £16.69m is repayable in July 2019. The Group has the option to repay the loans earlier than these dates without penalty. The bank loans are secured over Celtic Park and land at Lennoxtown.

21 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid			
Group and Company	2006 No.'000	2005 No.'000	2006 No.'000	2006 £000	2005 No.'000	2005 As restated £000
Equity						
Ordinary Shares of 1p each	211,701	36,699	81,017	810	30,949	309
Deferred Shares of 1p each	100,362	100,244	100,362	1,004	100,244	1,002
Non Equity						
Convertible Preferred Ordinary						
Shares of £1 each	20,000	20,000	18,012	18,012	18,012	18,012
Convertible Cumulative Preference						
Shares of 60p each	19,299	19,301	16,799	10,080	16,801	10,082
Less reallocated to debt under FRS25				(6,456)		(6,457)
	351,362	176,244	216,190	23,450	166,006	22,948

Following an Extraordinary General Meeting and separate Class Meetings on 23 November 2005, the authorised share capital was increased to £34.70m by the creation of 175m new Ordinary Shares. On 22 December 2005, Celtic plc issued 50m New Ordinary Shares pursuant to its Open Offer and Offer for Subscription at an issue price of 30p per share raising gross proceeds of £15.0m.

Following the adoption of the presentational aspects of FRS 25, elements of the Convertible Cumulative Preference Shares and the Convertible Preferred Ordinary Shares were reclassified as debt as noted above.

Each Convertible Preferred Ordinary Share carries, in priority to the rights of the holders of any other class of shares, the right to payment of a fixed cumulative preferential cash dividend at the rate of 4% per year applied to the amount subscribed for. This dividend accrues from day to day and is payable annually in arrears on 31 August in each appropriate year until 31 August 2007. The first payment of this dividend was on 31 August 2004. Dividends are due to be paid, together with any additional dividend as noted below, annually until 31 August 2007 subject to the availability of distributable profits.

An additional dividend is also payable on Convertible Preferred Ordinary Shares by reference to the success of the first team in the UEFA Champions' League. This additional amount ranges from an additional 2% of the offer price per share if the first team progresses to the final sixteen of the Champions' League up to a maximum additional amount of 6% of the offer price per share, on reaching the semi-finals in the competition.

On 1 September 2007, the Convertible Preferred Ordinary Shares may be converted into Ordinary Shares and Deferred Shares on the election of the shareholder. The number of Ordinary Shares and Deferred Shares to which a holder of Convertible Preferred Ordinary Shares is entitled on conversion is determined by reference to the middle market price of Ordinary Shares in the three dealing days immediately prior to conversion, in accordance with the formula stated in the Company's Articles of Association and also takes account of any dividends which have accrued on the Convertible Preferred Ordinary Shares but which are unpaid as at the conversion date.

Each Convertible Cumulative Preference Share of 60p carries the right, subject to the availability of distributable profits and the priority accorded to the Convertible Preferred Ordinary Shares, to the payment of a fixed preference dividend equal to 6% (before tax credit deduction) of its nominal value, cumulative with effect from 1 July 1996. The first dividend was paid on 31 August 1997. Following amendments to the Company's Articles of Association approved at the Extraordinary General Meetings of the Company on 31 July 2001, holders of Preference Shares of 60p are entitled on or at any time after 30 June 2001 to convert each Preference Share into one Ordinary Share of 1p and 59 Deferred Shares of 1p each. During the year ended 30 June 2006, 2,000 Preference Shares were converted in accordance with these provisions. The Ordinary Shares of 1p each, arising on conversion rank pari passu in all respects with the existing Ordinary Shares of 1p each. The Deferred Shares are non-transferable, carry no voting rights, no class rights and have no valuable economic rights. As at 16 August 2006, the latest practicable date before publication, no further conversion notices had been received in respect of Preference Shares.

Details of Directors' and other share options are included within the Remuneration Report on pages 19 to 22.

22 RESERVES

The movement of reserves during the year was as follows:

Group	Other Reserve £000	Profit and Loss Account £000	Share Premium £000	Capital redemption reserve £000
As previously reported	21,222	(34,412)	-	-
Restatement under FRS 25	-	902	-	1,068
As restated as at 1 July 2005	21,222	(33,510)	-	1,068
Premium on ordinary shares issued during the year	-	-	14,089	-
Transfer to capital redemption reserve	-	(671)	-	671
Loss for the year	-	(4,222)	-	-
At 30 June 2006	**21,222**	**(38,403)**	**14,089**	**1,739**

Company	Other Reserve £000	Profit and Loss Account £000	Share Premium £000	Capital redemption reserve £000
As previously reported	21,222	1,775	-	-
Restatement under FRS 25	-	902	-	1,068
As restated as at 1 July 2005	21,222	2,677	-	1,068
Premium on ordinary shares issued during the year	-	-	14,089	-
Transfer to capital redemption reserve	-	(671)	-	671
Profit for the year	-	376	-	-
At 30 June 2006	**21,222**	**2,382**	**14,089**	**1,739**

The parent Company's profit for the financial year is £0.38m (2005: £0.72m as restated).

In accordance with Resolution No 8 at the 2002 Annual General Meeting and the Court Order obtained on 9 May 2003, the previous Share Premium Account balance was cancelled and transferred to the Other Reserve. Under the terms of this cancellation, an amount equal to three times the Executive Club loans, currently equal to £492,000 (2005: £522,000) will remain non-distributable from this Other Reserve until such loans are repaid by the Company.

The increase in the share premium account above reflects the premium on the Ordinary Shares issued in the year.

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	2006 £000	2005 As restated £000
At 1 July	**11,728**	20,434
Movements in year:		
Issue of ordinary share capital	**14,591**	-
Retained loss for the year	**(4,222)**	(8,706)
At 30 June	**22,097**	11,728

At 30 June 2006 Non-Equity Shareholders' Funds, defined in accordance with FRS4, amounted to £23.08m (2005: £23.08m). This relates to the Convertible Preferred Ordinary Shares, the Convertible Cumulative Preference Shares and the associated accrued dividends.

24 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2006 £000	2005 As restated £000
Returns on investments and servicing of finance		
Dividends paid	**(521)**	(554)
Interest paid	**(999)**	(1,278)
Interest element of hire purchase payments	**-**	(16)
Net cash outflow from returns on investments and servicing of finance	**(1,520)**	(1,848)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(3,035)**	(1,966)
Payments to acquire intangible fixed assets	**(4,477)**	(2,891)
Proceeds from sales of intangible fixed assets	**643**	350
Net cash outflow from capital expenditure and financial investment	**(6,869)**	(4,507)
Financing		
Loans (paid) / received	**(8,383)**	956
Loan instalments paid	**(10)**	(2)
Net cash inflow / (outflow) from financing	**(8,393)**	954

25 ANALYSIS OF NET DEBT

	At 1 July 2005 As restated £000	Cash Flow £000	Non-cash Movement in Debt £000	At 30 June 2006 £000
Cash at bank and in hand	171	2,743	-	**2,914**
	171	2,743	-	**2,914**
Debt due within 1 year	(1,075)	10		**(1,065)**
Debt due after 1 year	(23,987)	8,383	(210)	**(15,814)**
	(25,062)	8,393	(210)	**(16,879)**
Net debt	(24,891)	11,136	(210)	**(13,965)**

26 CAPITAL AND OTHER FINANCIAL COMMITMENTS

a. Capital commitments

Group & Company

	2006 £000	2005 £000
Authorised and contracted for	**7,207**	1,467

b. Other commitments

At 30 June 2006 the Group had annual commitments under operating leases as follows:

	Land & Buildings		Other	
Expiry date:	**2006 £000**	2005 £000	**2006 £000**	2005 £000
Within 1 year	**26**	26	**12**	20
Between 2 and 5 years	**-**	54	**20**	31
In more than 5 years	**898**	712	**-**	-

c. Transfer fees payable/receivable

Under the terms of certain contracts with other football clubs in respect of the transfer of player registrations, additional amounts would be payable/receivable by the Group if specific future conditions are met. Amounts in respect of such contracts at 30 June 2006 could result in an amount payable of £2.26m (2005: £417,500), of which £0.63m could arise within one year and amounts receivable of £500,000 (2005: £325,000), of which £250,000 (2005: £225,000) could arise within one year.

d. Cross guarantees

Cross guarantees exist between the Company and its subsidiary undertakings. The extent of these at 30 June 2006 was £nil (2005: £nil).

27 FINANCIAL INSTRUMENTS

Details of the financial instruments of the Group during the financial year ended 30 June 2006, and as at the balance sheet date are as noted below. The Group does not trade in financial instruments.

Short term debtors and creditors have been excluded from the following disclosures in accordance with appropriate accounting standards.

The Group has no financial assets other than cash (2005: Nil).

The bank loans and overdraft bear interest at LIBOR plus 1.125% and base rate plus 1.0% respectively, as was the case in the year ended 30 June 2005. The other loans of the Group are interest free. It is the Group's policy to secure funding at the most cost-effective rates of interest available to the Group.

The Company's non-equity Convertible Preferred Ordinary Shares are convertible to equity (Ordinary and Deferred) shares on or after 1 September 2007 on the election of the holder. Until this date, the holders are entitled to a fixed dividend of 4% and an additional dividend which is dependent on the success of the first team as set out in Note 21.

The Company's non-equity Convertible Cumulative Preference Shares are convertible to equity (Ordinary and Deferred) shares on or any time with effect from 1 July 2001. Until these shares are converted to equity, the holders are entitled to a fixed dividend of 6% before deduction of tax credit.

The majority of the transactions undertaken in the year are in sterling; therefore the Group's exposure to foreign currency risk is minimal.

The Group has no exposure to any forward foreign exchange contracts as at the balance sheet date and did not enter into any forward contracts during the year.

The maturity profile of the Group's financial liabilities at 30 June 2006 and 30 June 2005 and details of applicable interest rates on these liabilities are disclosed in notes 18 and 20.

The fair value of the Group's financial assets and liabilities are not materially different to their book value.

The Group achieves short-term liquidity flexibility through use of a bank overdraft.

Of the available bank facilities of £36.00m (2005: £36.00m), of which £24.00m is represented by long term loans and £12.00m by overdraft, £24.00m (2005: £ 16.50m) remains undrawn at the balance sheet date as follows:

	2006 £000	2005 £000
Loans repayable between two and five years	1,312	562
Loans repayable in more than five years	10,688	3,938
Overdraft repayable on demand	12,000	12,000
	24,000	16,500

28 POST BALANCE SHEET EVENTS

Capital Expenditure

Since the balance sheet date further capital expenditure on intangible assets of £0.14m (2005: £5.62m) has been committed.

Notice of AGM and Notes

CELTIC plc

(Incorporated in Scotland No. SC003487)

Registered Office: Celtic Park, Glasgow. G40 3RE

11 September 2006

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Celtic plc (the "Company") will be held at Celtic Park, Glasgow, G40 3RE on 26 October 2006 at 11.00am for the following purposes: -

AS ROUTINE BUSINESS

The following resolutions will be proposed as Ordinary Resolutions:-

1. To receive the audited accounts of the Company for the year ended 30 June 2006, together with the reports of the Directors and Auditors on them.
2. That the Directors' Remuneration Report contained within the Annual Report of the Company for the year ended 30 June 2006 be and is hereby approved.
3. To re-elect Peter Lawwell, who retires by rotation, as a Director of the Company.
4. To re-elect Tom Allison, who retires by rotation, as a Director of the Company.
5. To re-elect Brian Quinn as a Director of the Company.
6. To re-elect Dermot Desmond as a Director of the Company.
7. To re-appoint PKF (UK) LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

AS SPECIAL BUSINESS

Resolutions will be proposed as follows: -

8. To consider and if thought fit, pass the following resolution as an Ordinary Resolution of the Company: -

   THAT the authority of the Directors contained within the Company's Articles of Association (" the Articles") pursuant to and in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 (2) of the Act up to an aggregate nominal amount equal to the Section 80 Amount (as defined in Article 5.4.2 of the Articles) be and is hereby renewed so that the Section 80 Amount for the purpose of this authority shall be for relevant securities up to an aggregate nominal amount equal to £4,792,755.06 and that this authority shall expire (save as provided in Article 5.3 of the Articles) on 25 October 2011 unless previously revoked, varied or extended.

9. To consider and, if thought fit, pass the following resolution as a Special Resolution of the Company: -

   THAT the power of the Directors contained in Article 5.2 of the Company's Articles of Association (" the Articles") to allot equity securities (within the meaning of Section 94 (2) of the Companies Act 1985 ("the Act")) wholly for cash pursuant to and within the terms of the authority conferred by Resolution 8 above

   (i) in connection with a Rights Issue (as defined in Article 5.4.5 of the Articles), shall be without limit;

   (ii) pursuant to any authority conferred upon the Directors in accordance with and pursuant to Article 111, shall be without limit; and

   (iii) otherwise than pursuant to sub-paragraphs (i) and (ii) above, up to an aggregate nominal amount equal to the Section 89 Amount (as defined in Article 5.4.4 of the Articles);

as if Section 89(1) of the Act did not apply to any such allotment, be and is hereby renewed, provided that the Section 89 Amount for the purposes of this renewed power shall be equity securities up to an aggregate nominal amount of £1,495,362 and that this renewed power shall unless previously revoked, varied or extended, expire (save as provided in Article 5.3 of the Articles) on the earlier of the date of the next Annual General Meeting of the Company after the passing of this Resolution and the date falling fifteen months after the passing of this resolution.

BY ORDER OF THE BOARD

Robert M Howat
Company Secretary

Notes

1. Only holders of Ordinary Shares or Convertible Preferred Ordinary Shares are entitled to attend and vote at the Annual General Meeting.
2. Shareholders entitled to attend may appoint a proxy or proxies to attend and, on a poll, vote in his/her place on all resolutions. A proxy does not have to be a shareholder. A Proxy Form and return envelope are enclosed.
3. Completion and return of a form of proxy will not prevent a Shareholder entitled to attend and vote at the Annual General Meeting from doing so if he/she so wishes.
4. If you do not intend to go to the Annual General Meeting or are not sure, please complete the Proxy Form, sign it and return it to Computershare Investor Services PLC, P.O. Box 1075, The Pavilions, Bristol, BS99 3FA at least 24 hours before the time fixed for the Annual General Meeting or any adjourned meeting. In the case of a poll taken more than 48 hours after it is demanded, the Proxy Form should be returned at least 24 hours before the time appointed for the taking of the poll.
5. If the registered shareholder is a corporate body, for example, a trust, company, association or club, the Proxy Form should be accompanied by a power of attorney or other authority under which it is signed or a copy of such authority certified notarially or in some other way approved by the Directors.
6. Under Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Ordinary and Convertible Preferred Ordinary Shareholders registered in the Register of Members of the Company as at 11.00am on 24 October 2006 will be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 11.00am on 24 October 2006 will be disregarded in determining the rights of any person to attend or vote at the Meeting.
7. If you have any questions about the Proxy Form or the procedures to follow, please telephone the Computershare Investor Services helpline on 0845 143 4004.

Explanatory Notes

RESOLUTION 1: Report and Accounts

The Directors are required to present the audited statement of accounts of the Company and the Directors' and Auditors' Reports for the year ended 30 June 2006 to the Meeting. You are voting to receive these Reports. Detailed information is contained within the 2006 Annual Report.

RESOLUTION 2: Remuneration Report

The Company must present the Remuneration Report to the Meeting for approval of shareholders. The Remuneration Report sets out in particular, the Company's policy on Directors' pay and benefits and includes details of the salary and benefits paid to Directors serving during the year.

RESOLUTION 3: Re- Election of Peter Lawwell

Under the articles of Association, one third of the Directors are required to retire from office by rotation each year and in any event at least every three years.

Mr Lawwell resigns from office under these provisions and stands for re-election. He was appointed as a Director in October 2003 initially as Executive Director Head of Operation, subsequently becoming Chief Executive. His business experience includes posts at Clydeport plc as Commercial Director, Chief Executive of Scottish Coal and senior posts Hoffman la Roche and ICI. Mr Lawwell has played a key, and in the view of the Board, highly effective and successful role in the management of the Company's operations and finances since his appointment, leading major projects and initiatives to meet the Company's underlying strategic and business objectives.

RESOLUTION 4: Re-Election of Tom Allison

Tom Allison also retires by rotation and offers himself for re-election . Mr Allison has served as a non-executive Director since September 2001. He is the Chairman of the Remuneration Committee and the Company's Senior Independent Director. Mr Allison is based in Scotland and is Chief Executive of Peel Ports Limited, a Director of Peel Holdings Limited, Chairman of Wood McKenzie Limited and a member of the Council of CBI Scotland. He is a valued member of the Board and brings extensive business knowledge and experience to this role.

RESOLUTIONS 5 and 6: Re-elections of Brian Quinn and Dermot Desmond

These resolutions seek the re-election of Brian Quinn and Dermot Desmond, each of whom has retired from office due to the application of Combined Code Rule A7.2. That rule, if applied, requires directors who have served for nine years or more to retire from office and stand for re-election annually. Each of these individuals is willing to stand for re-election as a Director.

Brian Quinn has served as non-executive Director since 1996 and as Chairman since 2000. Mr Quinn is a lifelong supporter of Celtic. His experience of finance and economics is extensive, having held positions with the IMF, World Bank and ultimately as Deputy Governor of the Bank of England .He has held a variety of non-executive posts and does consultancy work for various organisations. Mr Quinn has, as Chairman guided the Company through important and exciting times in its recent history. His experience and knowledge of the Company's affairs and contribution to its well-being are invaluable.

Explanatory Notes

Dermot Desmond has been a director of the Company since 1995. He is the Chairman and founder of International Investment and Underwriting Limited, a private equity company based in Dublin. He is the original promoter of Dublin's International Financial Services Centre which now has over 400 companies operating within it. Mr Desmond has established various companies including several software companies serving the financial services industry. His other investments, in addition to Celtic, include London City Airport, the Sandy Lane Hotel, Betdaq and Barchester Healthcare.

Mr Desmond is a keen Celtic supporter, an avid golfer and involved in a number of charitable activities.

The re-elections referred to in the notes on resolutions 3-6 have been duly proposed and are recommended by the Board.

RESOLUTION 7: Appointment and Remuneration of Auditors

The Company is required to appoint auditors, at each general meeting at which accounts are presented, to hold office until the end of the next such meeting. The auditors are is responsible for examining the Company's annual report and accounts and for forming an opinion as to whether they give a true and fair view of the Company's financial position and comply with Companies Act requirements.

The accounts for the year to 30 June 2006 have been audited by PKF (UK) LLP. That audit included an examination on a test basis of evidence relating to the amounts or disclosures in the accounts. PKF (UK) LLP also reviewed the Company's compliance with the Directors' Remuneration Report Regulations 2002. Their report is included within the Annual Report and Accounts.

For good governance reasons, the Board determined to conduct a tender for the audit services and invited several auditing practices, including PKF (UK) LLP to participate. The submissions of each of those firms were reviewed in detailed and assessed against various criteria, including independence, objectivity, professional skill, knowledge of the sector and value for money.

Following that review, the Board consider that the most appropriate candidate for the post of auditor to the Company and its subsidiaries remains PKF (UK) LLP.

Accordingly this resolution proposes the re-appointment of PKF (UK) LLP as auditors and follows standard practice in giving authority to the Board to determine their fees.

RESOLUTION 8 : Authority to allot shares

The authority of the Directors to allot shares expires at the conclusion of this year's Annual General Meeting and this resolution seeks renewal of a general authority in respect of the remaining unissued share capital of the Company (which amounts to 16.03% of the Company's issued share capital at the date of this Notice) for a further period expiring 5 years from the date of the Annual General Meeting. As discussed below, the power relates to the unissued amounts of each of the Ordinary, Preference and Convertible Preferred Ordinary Share capital. The 5-year period is the maximum period permitted by the Articles and Section 80(5) of the Act.

RESOLUTION 9: Disapplication of pre-emption rights where shares allotted for cash

The current power, renewed at the EGM in July 2005, to disapply statutory pre-emption rights in relation to the allotment of shares for cash, expires at this AGM. This resolution seeks your consent to the renewal of that power. Under section 89(1) of the Act, if the Directors wish to allot any of the unissued shares for cash, they must in the first instance offer them to existing shareholders in proportion to the number of shares that each shareholder has at that time. An offer of this type is called a "rights issue" and the entitlement to be offered a new share is known as a "pre-emption right".

There may be circumstances where it is in the interests of the Company for the Directors to allot new shares for cash other than by way of a rights issue. This cannot be done under the terms of the Act unless the shareholders first waive their pre-emption rights. Resolution 9 asks shareholders to agree to this, but only for new shares up to a maximum aggregate nominal value of £1,495,362. That figure represents an amount equal to 5% of the allotted and issued share capital of the Company at the date of this Notice.

The 5% limitation is in accordance with good practice guidelines except that the Directors consider that it is in the best interests of the Company that the limitation is calculated by reference to the combined issued Ordinary, Preference and Convertible Preferred Ordinary share capital of the Company, instead of just the issued Ordinary share capital. This is because the Preference Shares and Convertible Preferred Ordinary Shares are convertible into Ordinary Shares.

If granted, the Directors will be able to use this power, within the limits stated, to allot new shares without obtaining further authority from shareholders.

This power will also be used by the Directors to issue Ordinary Shares in lieu of dividends pursuant to the operation of the Company's scrip dividend re-investment scheme.

The authority given by this resolution will last for 15 months or until the conclusion of next year's annual general meeting, whichever is earlier.

RECOMMENDATIONS

The Directors believe that the proposals outlined above are in the best interests of the Company and its shareholders. They intend to vote their own beneficial shareholdings in favour of each of the Resolutions and recommend shareholders to do likewise.

Directors, Officers and Advisers

As at 30 June 2006

Directors

Brian Quinn CBE (Chairman)*
Peter T Lawwell (Chief Executive)
Eric J Riley (Financial Director)
Thomas E Allison*§
Dermot F Desmond*
Eric Hagman CBE*
Brian J McBride*
Brian D H Wilson*

* Independent Non-Executive Director
§ Senior Independent Director

Company Secretary

Robert M Howat

Company Number

SC3487

Registered Office

Celtic Park
Glasgow G40 3RE

Directors of The Celtic Football and Athletic Company Limited

Peter T Lawwell
Eric J Riley
John S Keane*
Michael A McDonald*
Kevin Sweeney*

Football Manager

Gordon Strachan

Auditors

PKF (UK) LLP
78 Carlton Place
Glasgow, G5 9TH

Solicitors

McGrigors
Pacific House
70 Wellington Street
Glasgow, G2 6SB

Bankers

The Co-operative Bank plc
29 Gordon Street
Glasgow, G1 3PF

Remuneration Committee

Thomas E Allison (Chairman)
Brian J McBride
Brian Quinn CBE

Audit Committee

Eric Hagman CBE (Chairman)
Thomas E Allison
Dermot F Desmond
Brian J McBride

Nomination Committee

Brian Quinn CBE (Chairman)
Thomas E Allison
Dermot F Desmond

Stockbroker and Nominated Adviser

Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London, EC4N 8EL

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 3FA

Web Site

www.celticfc.net


BANK OF SCOTL
CHAMPIONS