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Celtic PLC

Announcement of Results for the year ended 30 June 2022

SUMMARY OF THE RESULTS

Key Operational Items

- Winner of the SPFL cinch Premiership and qualification for UEFA Champions League group stages in season 2022/23
- Winner of the Premier Sports Cup for season 2021/22
- Qualification for the group stages of the UEFA Europa League for season 2021/22
- 31 home matches played at Celtic Park (2021: 28 games)

Key Financial Items

- Group revenue increased by 45.2% to £88.2m (2021: £60.8m)
- Operating expenses including labour increased by 23.4% to £91.7m (2021: £74.4m)
- Gain on sale of player registrations of £29.0m (2021: £9.4m)
- Acquisition of player registrations of £38.4m (2021: £13.5m)
- Profit before taxation of £6.1m (2021: Loss of £11.5m)
- Year-end cash net of bank borrowings of £30.2m (2021: £16.6m)

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CHAIRMAN'S STATEMENT

These results for the year ended 30 June 2022 show that revenue increased to £88.2m (2021: £60.8m) with a corresponding profit before tax of £6.1m (2021: £11.5 loss before tax). The key driver of the revenue growth was the restoration of a more normalised trading environment as we emerged from Covid-19 and were able to operate at full stadium capacity for all but five matches at the beginning of the season, where crowd restrictions remained. This, along with record gains from player trading in the year, £29.0m (2021: £9.4m), ensured the delivery of the reported profit. The contribution of player trading gains, especially in Europa League years, ensures that we maintain a healthy and sustainable financial future. In terms of funding and liquidity, our year end cash, net of bank borrowings, was £30.2m (2021: £16.6m). The increase this year was principally due to the timing of season ticket sales taking place later in the summer of 2021.

The Covid-19 surge over December 2021 to February 2022 was mitigated by the SPFL's initiative to bring forward the winter break to minimise disruption and protect vital match day ticket income for Scottish football as a whole. As a result, our supporters were able to attend two more matches and we did not suffer any revenue attrition from closed door matches. Consequently, the second half financial performance and the reduction in earnings in this period can be attributed to trading seasonality and the timing of player trading gains that were weighted towards the first half of the financial year.

As reported in my interim statement, we acquired several excellent additions to our player squad over the January transfer window. We thus entered the second half of the financial year 6 points off the top of the Premiership leader board, but with some confidence that we had the Manager and the squad to deliver our key objective of regaining the SPFL cinch Premiership title. We were delighted to win the title in May 2022 to add to the Premier Sports Cup won in December 2021.

An extremely welcome added bonus has been that the winner of the SPFL Premiership gained automatic qualification for the 2022/23 UEFA Champions League. This is the first time the champions of Scotland have achieved this in 12 years, due to an increase in Scotland's UEFA coefficient. Our Champions League draw has provided us with a suite of exciting ties involving Real Madrid, Shakhtar Donetsk and RB Leipzig.

The benefit of automatic qualification has delivered certainty over the season ahead, allowing us to back our Manager and build greater strength into the playing squad. Having signed Jota, Cameron Carter-Vickers, Alexandro Bernabei and Benjamin Siegrist in June 2022, we report a total investment in the player registrations of £38.4m for the financial year. Post year end, we completed the permanent signings of Sead Haksabanovic and Aaron Mooy alongside the temporary transfers of Moritz Jenz and Oliver Abildgaard. We continue to balance the benefits of investing in experienced players alongside younger talent with a view to developing all players' performances on the pitch and trading when conditions are right. The successful execution of this model is a challenge but is vitally important for clubs such as Celtic.

Our women's team also went on to add to the SWPL Cup win in December 2021 by winning the Women's Scottish Cup in May 2022. This cup double represents a remarkable achievement in such a short time and I congratulate Fran Alonso and his team and reaffirm our commitment to the women's game in Scotland.

The biggest influence on the financial and sporting fortunes of the Club is our ability to participate in European competition. As covered by Michael Nicholson in his report, the Champions League format will change in 2024. This will provide further opportunities and enhanced media rights. Our task is to be prepared to maximise the opportunities that will evolve by remaining financially strong and stable, whilst investing intelligently in the player squad, the football department and the sporting infrastructure and facilities.

We have every confidence in our business model that over the period of my office has demonstrated its robustness, especially in challenging times. In closing, I thank all of my colleagues at Celtic, whose enormous efforts have delivered this pleasing year of transition. I also pay tribute to our remarkable support, who have backed the Manager and the team every step of the way.



Ian P Bankier, Chairman
20 September 2022

CHIEF EXECUTIVE'S REVIEW

Following the challenges and disappointments of the year to June 2021, but with Celtic Park finally back as it should be - full of our supporters - everyone at the Club wanted to reward our supporters' commitment and loyalty with entertaining and winning football. This year ended 30 June 2022 began with our Manager, Ange Postecoglou, taking on the existing squad and developing it, while introducing his attacking, high intensity style of football. The immediate priority in the 2021 summer transfer window, therefore, was to support the Manager, and the Club committed investment in players the Manager believed would contribute to our success.

In UEFA competitions, we prepared for our UEFA Champions League qualifier against FC Midtjylland with a squad in transition and lost the tie. Having overcome AZ Alkmaar, we qualified for the group stages of the UEFA Europa League, where we faced Bayer 04 Leverkusen, Real Betis and Ferencvaros TC. This was high quality opposition and, having finished third in the group, we qualified for the knock out play-offs of the newly constituted UEFA Europa Conference League, ultimately exiting the tournament to Bodo Glimt FC.

Domestically, despite losing three of our first six cinch Premiership matches, our supporters continued to believe in and support what our Manager was looking to achieve. Early success in the Premier Sports Cup fed confidence and everyone connected with the Club was delighted to see Callum McGregor lift his first trophy as Celtic captain. Following the last of the league defeats, in September 2021, we embarked upon on a remarkable 32 match unbeaten run until the end of the season; an outstanding achievement and one that led to us regaining the cinch Premiership title.

The scale of that achievement should not be underestimated, and we thank and congratulate the Manager, the Captain and all of the players and staff for a fantastic season of entertaining and winning football.

Season 2021/22 also saw us build on the success of last season for our Women's team, with the team securing a domestic cup double for the first time in the Club's history. This was an excellent achievement and demonstrated real progress for Manager Fran Alonso, Captain Kelly Clark and all of the players and staff of the Women's team. Our strategy is to continue to develop and invest in the Women's team and we are pleased that this commitment has been matched by the SPFL by incorporating the women's game into the league governing body in order to continue to develop the game in Scotland.

Celtic FC B entered the Scottish Football Lowland League as a guest team for the first time in season 2021/22. We finished third in the 34-match programme in what was a highly competitive environment. Following the success of this initiative, we were pleased to be accepted as a guest team for season 2022/23, during which Celtic FC B will also compete in the UEFA Youth League. Having aligned the B Team directly under the First Team Manager, and having appointed Stephen McManus and Darren O'Dea as our B Team coaches, we wish them and the players the best of luck for the season ahead. We see Celtic FC B as a vitally important development pathway opportunity, which directly aligns with our youth development strategy.

During the year, we continued to review and develop the technical functions supporting our football operations, making appointments in Recruitment, Medical, Sports Science and our Academy, as well as investing in the Training Centre at Lennoxtown. We are continuing to work on further infrastructure developments, in addition to the recent stadium banners update, including the development of a new viewing platform for our disabled supporters and a new match day bar for season ticket holders, with a view to improving the match day experience for our supporters. Continuous improvement remains a key part of the Club's strategy.

We are delighted to continue to work with our sponsors, including adidas, Dafabet and Magners, and we thank them and all of our partners for their continued support. Our retail and multimedia businesses continue to perform strongly and our match day attendances, including season ticket sales, and other stadium businesses all performed above expectations in the year. We are, however, mindful of the current economic headwinds. We continue to monitor the situation and factor the economic environment into key decisions.

As we look forward into the future of European football, the second half of the financial year saw UEFA confirm a number of significant developments with respect to the format of the European game and key governance matters.

Firstly, in May 2022, UEFA announced that it had approved a new Champions League format post 2024, involving an expansion to 36 teams, a shift away from the traditional group stage format to a single league phase and an increase to eight matches from six in the initial phase. Similarly, under the proposals the Europa League and Conference League would also be expanded to accommodate 36 teams, with eight matches and six matches respectively in the initial phase. There is an expectation that, once implemented, this would lead to increased media rights, which would in turn benefit all participating clubs, and we would see this as a positive development for European football as a whole.

Secondly, UEFA introduced significant enhancements in financial governance by introducing new Financial Sustainability Regulations to replace the previous Financial Fair Play Regulations. These are being introduced on a phased basis from summer 2022 and have the effect of introducing more rigorous spending controls and more definitive sanctions in order to create a sustainable future for the European Club environment. Celtic played a significant role at a strategic and technical level in the development of the new regulations, continuing to demonstrate our strategy of participating and contributing to the future of the game at the highest level.

As we look to the season ahead with confidence, I would like to thank all of our colleagues for the huge part that they played in the Club's success last season. Having started the season under Covid-19 restrictions and facing into a number of challenges, our colleagues helped to create the environment in which our teams delivered that success. We will continue to work across all aspects of the Club to build on the achievements of last season and to take our Club forward. Finally, on behalf of everyone at Celtic, we thank our supporters, who got behind our Manager and the team from day one and whose contribution is crucial when it comes to our Club's success.

A handwritten signature in black ink, appearing to read 'Michael Nicholson', with a stylized, flowing script.

Michael Nicholson, Chief Executive
20 September 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2022

	Notes	2022 £000	2021 £000
Revenue	2	88,235	60,781
Operating expenses (before intangible asset transactions and exceptional items)		(91,728)	(74,353)
Loss from trading before intangible asset transactions and exceptional items		(3,493)	(13,572)
Exceptional operating expenses	3	(6,262)	(333)
Amortisation of intangible assets		(13,045)	(11,821)
Profit on disposal of intangible assets		29,029	9,435
Other income		-	5,000
Operating profit / (loss)		6,229	(11,291)
Finance income		876	855
Finance expense		(969)	(1,056)
Profit / (loss) before tax		6,136	(11,492)
Tax expense	5	(287)	(1,109)
Profit / (loss) and total comprehensive profit / (loss) for the year		5,849	(12,601)
Basic profit / (loss) per Ordinary Share for the year	6	6.19p	(13.35)p
Diluted profit / (loss) per Share for the year	6	4.69p	(13.35)p

CONSOLIDATED BALANCE SHEET
As at 30 June 2022

	2022	2021
	£000	£000
Assets		
Non-current assets		
Property, plant and equipment	56,265	57,939
Intangible assets	35,489	18,303
Trade receivables	13,000	11,312
	<u>104,754</u>	<u>87,554</u>
Current assets		
Inventories	2,987	3,860
Trade and other receivables	38,367	23,764
Cash and cash equivalents	31,869	19,459
	<u>73,223</u>	<u>47,083</u>
Total assets	<u>177,977</u>	<u>134,637</u>
Equity		
Issued share capital	27,166	27,166
Share premium	14,951	14,914
Other reserve	21,222	21,222
Accumulated profits	11,478	5,629
Total equity	<u>74,817</u>	<u>68,931</u>
Non-current liabilities		
Borrowings	314	1,549
Debt element of Convertible Cumulative Preference Shares	4,174	4,174
Trade and other payables	16,806	4,043
Lease liabilities	318	540
Provisions	114	99
Deferred tax liabilities	2,982	2,793
	<u>24,708</u>	<u>13,198</u>
Current liabilities		
Trade and other payables	36,758	20,223
Lease liabilities	539	645
Borrowings	1,336	1,336
Provisions	8,350	6,213
Deferred income	31,469	24,091
	<u>78,452</u>	<u>52,508</u>
Total liabilities	<u>103,160</u>	<u>65,706</u>
Total equity and liabilities	<u>177,977</u>	<u>134,637</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2022

Group	Share capital £000	Share premium £000	Other reserve £000	Accumulated profit £000	Total £000
Equity shareholders' funds					
as at 1 July 2020	27,166	14,849	21,222	18,230	81,467
Share capital issued	-	65	-	-	65
Reduction in debt element of convertible cumulative preference shares	-	-	-	-	-
Loss and total comprehensive loss for the year	-	-	-	(12,601)	(12,601)
Equity shareholders' funds					
as at 30 June 2021	27,166	14,914	21,222	5,629	68,931
Share capital issued	-	37	-	-	37
Reduction in debt element of convertible cumulative preference shares	-	-	-	-	-
Profit and total comprehensive profit for the year	-	-	-	5,849	5,849
Equity shareholders' funds					
as at 30 June 2022	27,166	14,951	21,222	11,478	74,817

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2022

		2022 £000	2021 £000
Cash flows from operating activities	Notes		
Profit / (loss) for the year		5,849	(12,601)
Taxation charge		287	1,109
Depreciation		2,736	2,494
Amortisation of intangible assets		13,045	11,821
Impairment of intangible assets and other prepaid costs		7,235	-
Reversal of prior period impairment charge		(1,094)	(297)
Profit on disposal of intangible assets		(29,029)	(9,435)
Loss on disposal of tangible fixed assets		-	110
Finance income		(876)	(855)
Finance costs		969	1,056
		<u>(878)</u>	<u>(6,598)</u>
Decrease / (increase) in inventories		873	(2,591)
Increase in receivables		(1,856)	(1,627)
Increase / (decrease) in payables and deferred income		12,302	(698)
Cash from / (used in) operations		<u>10,441</u>	<u>(11,514)</u>
Tax paid	5	-	(268)
Interest received		64	34
Interest paid		(77)	(118)
<i>Net cash flow from / (used in) operating activities</i>		<u>10,428</u>	<u>(11,866)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,034)	(482)
Purchase of intangible assets		(20,566)	(13,630)
Proceeds from sale of intangible assets		26,044	25,522
<i>Net cash from investing activities</i>		<u>4,444</u>	<u>11,410</u>
Cash flows used in financing activities			
Repayment of debt		(1,280)	(1,280)
Payments on leasing activities		(693)	(739)
Dividend on Convertible Cumulative Preference Shares		(489)	(472)
<i>Net cash used in financing activities</i>		<u>(2,462)</u>	<u>(2,491)</u>
Net increase / (decrease) in cash equivalents		12,410	(2,947)
Cash and cash equivalents at 1 July 2021		19,459	22,406
Cash and cash equivalents at 30 June 2022		<u>31,869</u>	<u>19,459</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to financial years 2022 and 2021, presented, for both the Group and the Company.

Going Concern

The Group has adequate financial resources available to it, including currently undrawn bank facilities, together with established contracts with a number of customers and suppliers.

Additionally, the Group continues to perform a detailed budgeting process each year which is reviewed and approved by the Board. The Group also performs regular re-forecasts and these projections, which include profit/loss and cash flow forecasts, are distributed to the Board. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully over the medium term.

In consideration of the above, the Directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

2. REVENUE

	2022 £000	2021 £000
The Group's revenue comprised:		
Football and Stadium Operations	42,782	20,825
Merchandising	24,925	22,609
Multimedia and Other Commercial Activities	20,528	17,347
	<u>88,235</u>	<u>60,781</u>

3. EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expenses of £6.3m (2021: £0.3m) can be analysed as follows:

	2022 £000	2021 £000
Impairment of intangible assets and other prepaid costs	7,235	-
Reversal of prior period impairment charges	(1,094)	(297)
Settlement agreements on contract termination	121	630
	<u>6,262</u>	<u>333</u>

The impairment of intangible assets in the current year relate to adjustments required as a result of management's assessment of the carrying value of certain player registrations relative to their current market value. The carrying value of intangible assets are reviewed against criteria indicative of impairment and, where the carrying value exceeds their current market value, impairment is recognised. Where events subsequent to this initial assessment give rise to a reversal of any impairments, such as a transfer or a significant turnaround in performance, an impairment reversal is recognised.

Settlement agreements on contract termination are costs in relation to exiting certain employment contracts.

These events are deemed to be unusual in relation to what management consider to be normal operating conditions as the occurrence of these events is sufficiently irregular enough to warrant it as exceptional.

4. DIVIDEND ON CONVERTIBLE CUMULATIVE PREFERENCE SHARES

A 6% non-equity dividend of £0.53m (2021: £0.53m) was paid on 31 August 2022 to those holders of Convertible Cumulative Preference Shares on the share register at 29 July 2022. A number of shareholders elected to participate in the Company's scrip dividend reinvestment scheme for the financial year to 30 June 2022. Those shareholders have received new Ordinary Shares in lieu of cash. No dividends were payable or proposed to be payable on the Company's Ordinary Shares.

During the year, the Company reclaimed £nil (2021: £nil) in respect of statute barred preference dividends in accordance with the Company's Articles of Association.

5. TAX ON ORDINARY ACTIVITIES

The corporation tax receivable as at 30 June 2022 was £0.5m (2021: £0.6m). The current year tax charge was £0.3m and total tax payments in the year were nil (2021: £0.3m). The available capital allowances pool is approximately £5.1m (2021: £6.2m). These estimates are subject to the agreement of the current year's corporation tax computations with H M Revenue and Customs.

The standard rate of corporation tax for the year in the United Kingdom is 19% (2021: 19%).

	2022 £000	2021 £000
Current tax expense		
UK corporation tax	99	(609)
Adjustments in respect of prior periods	-	290
Total current tax expense	99	(319)
Deferred tax expense		
Origination of temporary timing differences	143	827
Adjustments in respect of prior periods	-	(69)
Effects of changes in tax rates	45	670
Total deferred tax	188	1,428
Total tax expense	287	1,109

6. EARNINGS / (LOSS) PER SHARE

Reconciliation of basic earnings / (loss) to diluted earnings / (loss):	2022 £000	2021 £000
Basic earnings / (loss)	5,849	(12,601)
Non-equity share dividend	569	569
Diluted earnings / (loss)	6,418	(12,032)
	No.'000	No.'000
Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Basic weighted average number of ordinary shares	94,457	94,366
Dilutive effect of convertible shares	42,252	42,286
Diluted weighted average number of ordinary shares	136,709	136,652

Earnings per share of 6.19p (2021: loss per share of 13.35p) has been calculated by dividing the total comprehensive profit for the period of £5.8m (2021: loss of £12.6m) by the weighted average number of Ordinary Shares of 94.5m (2021: 94.4m) in issue during the year.

Diluted earnings per share of 4.69p has been calculated by dividing the diluted earnings for the period of £6.4m by the weighted average number of Ordinary Shares, Convertible Cumulative Preference Shares and Convertible Preferred Ordinary Shares in issue, assuming conversion at the Balance Sheet date, if dilutive. When considering a loss per share scenario, no adjustment is made for the preference share dividend and therefore the diluted loss per share is equal to the basic loss per share, as was the case in the prior year.

7. ANNUAL REPORT & FINANCIAL STATEMENTS

Copies of the Annual Report & Financial Statements together with the Notice and Notes of the 2022 AGM will be issued to all shareholders in due course.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 30 June 2022 or 30 June 2021. The Independent Auditor's Reports on the statutory financial statements for 2022 and 2021 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The statutory financial statements for 2021 have been filed with the Registrar of Companies and those for 2022 will be delivered to the Registrar of Companies in due course.