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TOTTENHAM HOTSPUR plc

ANNUAL REPORT AND ACCOUNTS 1998

CONTENTS

Directors and Advisers

Executive Directors	A. M. Sugar DSc (Chairman) C. M. Littner MBA (Chief Executive) J. Sedgwick ACA (Finance) D. J. Pleat (Football)
Non-Executive Directors	S. Chisholm C. T. Sandy ATII
Company Secretary	J. Ireland LLB
Registered Office	748 High Road Tottenham London N17 0AP
Registered Number	1706358
Auditors	Deloitte & Touche Chartered Accountants Hill House 1 Little New Street London EC4A 3TR
Solicitors	Herbert Smith Exchange House Primrose Street London EC2A 2HS
Bankers	Lloyds Bank Plc City Office 72 Lombard Street London EC3P 3BT
Financial Advisers	Deutsche Bank 6 Bishopsgate London EC2N 4DA
Stockbrokers	Collins Stewart & Co. 21 New Street Bishopsgate London EC2M 4HR
Registrars	IRG plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ

CHAIRMAN'S STATEMENT

RESULTS FOR THE TWELVE MONTHS ENDED 31ST JULY 1998

Overview
Turnover was £31.2m (1997 - £27.9m), with operating profits of £6.2m (1997 - £8.6m). We report a loss after player trading but before tax of £0.9m (1997 - profit £7.6m).

Income
Match receipts increased to £14.3m (1997 - £13.6m) in spite of stadium capacity being restricted for much of the season due to the North Stand redevelopment (average capacity - 29,150).

Television income increased to £6.4m (1997 - £4.8m) reflecting the first year of the current BSkyB contract. Five league games and one Cup game were shown live in addition to highlights of fourteen league games and two Cup games.

Sponsorship revenue rose to £5.6m (1997 - £4.6m) reflecting a combination of increases in Club generated revenue and that received via the Premier League.

Merchandise turnover was £3.6m (1997 - £3.8m). The fall was due to the fact that the latest home kit was launched at the end of the last financial year (July 1997) and the new away kit was not launched until September 1998. Throughout the season, sales were above the previous year despite the restricted stadium capacity on matchdays.

Other sources of income were £1.3m (1997 - £1.0m). The largest single contributor in this area was the fee revenue generated from the two giant stadium screens.

Expenses
Operating expenses were £25.0m (1997 - £19.2m). £5.4m of this increase is attributable to increased costs in the Playing Department which for the year totalled £16.0m (1997 - £10.6m) and represents 51% of turnover. The increased cost of sales reflects the away clubs' share of FA Cup match receipts from our home games.

Operating Profit
Owing to the increased cost of the Playing Department operating profits fell to £6.2m (1997 - £8.6m) despite our increased revenues.

Player Trading
Profits on player sales this year amounted to £0.8m, the result of small transactions. Last year the comparable profit was £4.4m largely due to the sale of T. Sheringham to Manchester United for £3.5m. The full effect of last year's spending on players (£19.0m) has contributed to an increase in amortisation of £2.0m.

Interest
Completion of the new North Stand for Members saw the Company use the cash which was on deposit from our 1996 Rights Issue. This resulted in a small amount of interest payable over the year compared to £0.5m receivable last year.

Taxation
The unusually high tax charge of £2.2m is the result of our previous spending on player acquisitions. Tax relief is currently obtained on the cost of a player acquisition in the year of purchase. A potential deferred tax charge then arises. Until now this potential charge has not been recognised in the accounts since our forecasts showed it not to reverse as the forecast cost of player acquisitions exceeded the amortisation charge. Since the amortisation charge is now much higher than in previous years our forecasts indicate that there will be a reversal of deferred tax. We have therefore decided to take the prudent approach of recognising the deferred tax on player acquisitions amounting to £6.2m. This is then partially offset by fixed asset timing differences and losses brought forward. The deferred tax is a potential future tax liability not a current liability.

Cash Flow
During the year the Company generated cash from operating activities of £10.0m. The net cash outflow on acquiring players was £7.2m and £8.8m was expended on building the North Stand. After servicing debt and paying the dividend and corporation tax, the net cash position in the bank fell from £9.1m at 1st August 1997 to £0.4m at 31st July 1998.

DIVIDEND

Your Board of Directors proposes a final dividend of 0.25 pence per share giving a total dividend of 0.58 pence per share (1997 - 1.0 pence).

COMMERCIAL

The overall stadium capacity is now in excess of 36,000. The new North Stand which is now complete has a capacity of over 10,000 seats. In addition, there are fifteen ten-seater executive boxes with viewing balconies, a boxholders' lounge and the Corner Flag restaurant, all overlooking the pitch. These facilities have been furnished to a very high standard. Behind the stand we have provided a selection of fast food outlets and beverage areas.

During the close season much refurbishment was also carried out on the executive facilities in the West Stand. We continue to lead the London clubs in the provision of corporate hospitality. Presently we cater for over 3,000 guests before top matches.

FOOTBALL

Last season was uncomfortable for everyone connected with Spurs. From the very start of the season we were struggling. Having won only three of our first fourteen games and occupying sixteenth position in the Premiership, Gerry Francis resigned on 19th November 1997. The Board reluctantly accepted his resignation. On behalf of the Board, I would like to thank Gerry for his services.

Gerry had given us some notice of his intentions and after a search and some excellent references, we appointed Christian Gross as First Team Coach. David Pleat was appointed Director of Football in January 1998. We ended the season in fourteenth place although Premiership survival was not secured until the penultimate game. Several players were released at the end of the season including Gary Mabbutt and David Howells both of whom gave us long and loyal service.

Over the close season Christian Gross worked very hard with the players at his disposal - many were on international duty at the World Cup. However, it became apparent, especially on the return of the internationals, that continued negative media reporting had resulted in a breakdown in confidence throughout the Club. The situation became irreconcilable and on 5th September 1998 the Board had no alternative but to dismiss Christian Gross. Again, on behalf of the Board, I would like to thank Christian for his honest and totally dedicated endeavours in a very difficult situation.

Fortunately, we were able to call on our Director of Football, David Pleat, to oversee the First Team. This bought us the time we needed to carefully consider the position. On 1st October 1998 George Graham was appointed First Team Manager. Mr Graham was the Board's first choice, but being under contract to Leeds United, there was some delay whilst we went through the proper procedures and channels. The most important criterion set by the Board was that the new manager must be of proven quality in top flight English football. In George Graham, we have a manager with a superb record and one who we believe can bring the success that this Club and its supporters deserve.

David Pleat deserves special thanks, only one defeat in five league games and guiding us through to the next round of the Worthington Cup. Mr Pleat continues in his role as Director of Football, essentially looking over all football matters outside of the First Team and when requested assisting and advising Mr Graham.

I would like to welcome Martin Peters MBE as a non-executive director of the Football Club. Martin, who was appointed on 26th August 1998, is an ex Captain of Spurs and won sixty-seven England caps. His football experience will be a valuable asset to the Club and he will be actively nurturing links between the Club and its supporters.

The training ground at Chigwell is now almost complete. The facility boasts five first class football pitches, a full size floodlit Astroturf pitch and excellent gymnasium, physio and medical facilities.

Our Football Academy is now fully operational developing boys from the age of eight to nineteen. We have applied significant resources to this area both in terms of investment and manpower with the expectation of continuing to bring boys through the different levels and ultimately into the First Team.

Finally, we are significantly expanding our community involvement. A full-time "Football in the Community" officer has been appointed. He runs a network of community programmes involving all the schools in our locality giving school children access to top class coaches and promoting the image of the Club. The courses are designed to encourage boys and girls of all abilities to enjoy the game and develop their knowledge and technical ability at an early age.

OUTLOOK

Now that we have appointed George Graham and David Pleat, I will be able to concentrate fully on the commercial activities of the Club. In the past, I have inadvertently been dragged into football matters at the request of the Manager.

We will continue to improve our stadium site. Should we achieve the success that we all crave we have already commissioned plans to increase the stadium capacity further.

Merchandise is an area which we intend to further develop. We expect to appoint a new General Manager in this area, who will be tasked with maximising the potential of our brand by enhancing the existing income streams and developing new ones - both here and abroad.

Our current major sponsorship contracts are renewable at the end of this season and we are in negotiations with existing and potential new partners.

We will be launching a line of services for our supporters under the umbrella of 'Spurs Supporters Services'. The first of these products to be launched later this month is an insurance broking service offering household, car and travel insurance to Spurs supporters. A new Spurs credit card will be launched in November. These will be followed later this year by a building society deposit scheme. Other services will be introduced in the New Year. All the products offered will be competitive in their own right, offering preferential rates to club supporters and at the same time providing additional income streams to the Club.

I would like to welcome Sam Chisholm to the Board as a non-executive director. Mr. Chisholm brings a wealth of commercial experience, having been Chief Executive of BSkyB for seven years following other media appointments. I look forward to his contribution. I also thank Mr. Tony Berry and Mr. Douglas Alexiou for their past service as non-executive directors, and look forward for their continued support of the Club.

I am confident for the future of this Club and Company. On the football side, we have in George Graham and David Pleat, experience that is unequalled. On the business side we have an impressive team who are focused on enhancing our income streams and maximising the potential of our brand. Together, and with the goodwill of the Club's devoted supporters, I am confident that we can reinstate Spurs as one of the 'big clubs' again, fulfilling the ambitions of supporters and shareholders alike.

A. M. Sugar
Chairman
21st October 1998

Directors' Report

The Directors present their report and the audited Group financial statements for the year ended 31st July 1998.

Principal activities
The principal activities of the Group continue to be the operation of a professional football club in England together with related commercial activities.

Review of business and future developments
The activities of the Group have been reviewed in the Chairman's Statement. The results for the year are set out in the Consolidated Profit and Loss Account on page 16.

Dividends
The Directors recommend a final dividend of 0.25 pence per share to all shareholders on the register on 6th November 1998 to be paid on 27th November 1998, making a total dividend for the twelve months to 31st July 1998 of 0.58 pence per share (1997 - 1.00p). The retained loss for the year of £3,746,000 will be transferred from reserves (1997 - profit - £6,338,000).

Directors
The Directors who served during the year and their beneficial interests in the share capital of the Company at 31st July 1998, were as follows:

	31st July 1998 Number of shares	*31st July 1997* *Number of shares*
A. M. Sugar	40,752,675	*40,752,675*
C. M. Littner	143,750	*143,750*
J. Sedgwick	nil	*nil*
A. G. Berry	75,000	*75,000*
D. A. Alexiou	184,385	*184,385*
C. T. Sandy	9,815	*9,815*
D. J. Pleat	nil	*nil*

D. J. Pleat was appointed to the Board as Director of Football on 17th January 1998. S. Chisholm was appointed as a non-executive director on 11th August 1998. Having been appointed as members of the Board after the last Annual General Meeting, D. J. Pleat and S. Chisholm offer themselves for re-election at the forthcoming Annual General Meeting.

On 11th August 1998, A. G. Berry and D. A. Alexiou resigned as non-executive directors.

The shares in which A. M. Sugar is interested are registered in the name of Amshold Limited, a company which is wholly owned by A. M. Sugar.

Details of the Directors' Remuneration are given in the Report of the Remuneration Committee on pages 12 to 14.

C. M. Littner, J. Sedgwick and D. J. Pleat have been granted share options under the Company's Executive Share Option Scheme. These are detailed on page 12.

C. T. Sandy retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election. C. T. Sandy holds office under a letter of appointment which will terminate on 26th November 1998.

Directors' interests in contracts are disclosed in note 27.

Non-Executive directors

C. T. Sandy is 43 and was the Group's Finance Director between 7th August 1991 and 21st August 1995. He is a Director of Amsprop Limited, Amsprop Trading Limited, Amsprop Investments Limited and Amsail Limited. The ultimate parent company of these companies is Amshold Limited. Mr. Sandy holds office under a letter of appointment which will terminate on 26th November 1998. Mr. Sandy is a member of the Audit Committee.

S. Chisholm is 59 and was from 1990 to 1997 Chief Executive of BSkyB. Before joining BSkyB, he was Managing Director of Nine Network, Australia's most successful broadcaster. He remains a director of BSkyB and is Chairman of the New Millennium Experience Company, which is responsible for the Millennium Dome project. Mr. Chisholm holds office under a letter of appointment which will terminate on 25th November 1999.

Significant shareholdings

Apart from the interests of the Directors referred to above, the Company has received the following notification of holdings of more than 3% of the share capital of the Company as at 2nd October 1998:

Hodram Inc.	3.87%

Donations

The Group made charitable donations of £200 during the year (1997 - nil) and no political donations (1997 - £nil).

Corporate governance

During the financial year the Group complied with all the applicable provisions of the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee).

Following the resignation of D. A. Alexiou and A. G. Berry on 11th August 1998, in the period up to the approval of the Financial Statements the Company did not comply with the Cadbury Code in respect of the Audit and Remuneration Committees.

Paragraph 3.3 of The Code of Best Practice states that the executive directors' pay should be subject to the recommendations of a remuneration committee made up of wholly or mainly of non-executive directors, and Paragraph 4.3 of the Code states that the board should establish an audit committee of at least three non-executive directors. These committees are in the process of reconstruction.

The Company's auditors, Deloitte & Touche, have confirmed that, in their opinion: with respect to the Directors' statement on going concern and internal financial control on this page and page 10 the Directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the Directors' other statement above appropriately reflects the Company's compliance with the other paragraphs of the Cadbury Code specified for their review by Listing Rule 12.43(j). They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the Group's system of internal financial control or the Company's corporate governance procedures nor on the ability of the Company and Group to continue in operational existence.

The Board comprises four Executive and two Non-Executive directors. It meets monthly and is responsible for the overall strategy and direction of the Group.

Going Concern

After making enquiries, the Directors have formed a judgment at the time of approving the financial statements, that there is a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to prepare the financial statements on a going concern basis.

Internal Financial Control

The Directors are responsible for the Group's system of internal financial control which aims to safeguard Group assets, to ensure that proper accounting records are maintained and that the financial information used within the business and for publication is reliable. The Board has reviewed the effectiveness of the system of internal financial control. It has considered the major business and financial risks, the control environment and information on and arising from control procedures. Any system of internal control can, however, provide only reasonable, and not absolute, assurance against misstatement and loss.

The Board maintains control and direction over strategy, financial, organisational and compliance issues. It has implemented clearly defined lines of responsibility and delegation of authority and a system of internal control.

Key features of the Group's system of internal financial control during the year were as follows:

- Comprehensive budgets approved by the Board.
- Regular consideration by the Board of actual results compared with budgets, prior year comparatives and forecasts.
- Regular reporting of legal and accounting developments to the Board.
- Executive Director authority as a requirement for all commitments entered into by the Group, and for all payments made by the Group.
- The Board and the senior management team are responsible for the identification and evaluation of key risks applicable to each part of the business. Each meet formally on a monthly basis to discuss relevant issues.

<u>Audit Committee</u>

The Committee meets twice a year or more at the request of the external auditors. Its terms of reference include the review of the half-year and annual financial statements before submission to the Board. At the balance sheet date the Audit Committee consisted of A. G. Berry, D. A. Alexiou and C. T. Sandy. Following the resignation of A. G. Berry and D. A. Alexiou, C. T. Sandy has been appointed Chairman and consideration is being given to future members of the Committee.

Millennium

The Company has conducted a thorough review on its state of preparedness for the Millennium and its possible impact on computer and other electronic systems. This review also covered the progress made by suppliers and intermediaries. Essential Millennium compliance activities are expected to be completed by the end of 1998.

To date meaningful progress has been made in ensuring Millennium compliance. It is not expected that the total costs of the work required to ensure compliance will be material.

Policy on Payment of Creditors

The Group's policy on payment of creditors is to settle payment terms when agreeing the terms of each transaction. In the majority of cases this involves payment within thirty days of the invoice date; however, where discounts are available it is generally the policy to pay earlier and benefit accordingly. Trade creditors at 31st July 1998 represented 19 days of annual purchases. This figure excludes creditors in respect of player purchases and construction costs which are paid on the date payment is contractually due.

Directors' responsibilities for preparing the financial statements

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 as at the end of the financial year and of the profit or loss of the company 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;
- prepare the financial statements on a 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 to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Deloitte & Touche have expressed their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting to reappoint them as Auditors of the Company.

Approved by the Board of Directors
and signed on behalf of the Board,

J John Ireland

John Ireland LLB
Company Secretary

21st October 1998

Report of the Remuneration Committee
for the year ended 31st July 1998

Statement of Compliance

Throughout the year the Company complied with Section A of the Best Practice Provisions on remuneration committees as annexed to the London Stock Exchange Listing Rules.

The Remuneration Committee is responsible for implementing the listing requirements concerning directors' remuneration. At the balance sheet date the Remuneration Committee consisted of A. G. Berry and D. A. Alexiou. Following the resignation of A. G. Berry and D. A. Alexiou, C. T. Sandy has been appointed Chairman and consideration is being given to future members of the Committee.

Policy on the remuneration and incentivisation of employees

During the period, the remuneration philosophy for directors and senior employees was to ensure that they were rewarded competitively and that the Group attracts, retains and motivates executives who are to perform to the highest standards.

In framing their remuneration policy, the Remuneration Committee has given full consideration to Section B of the Best Practice Provisions annexed to the London Stock Exchange Listing Rules.

Directors' Remuneration

The emoluments of the Directors of the Company for the year were £545,310 (1997 - £375,391) and contributions to pension schemes were £32,171 (1997 - £21,350).

The emoluments of the Chairman for the year, which were paid to Amshold Limited, a company wholly owned by him, were £54,167 (1997 - £50,000).

The pension contributions are made to a money purchase scheme.

Details of the remuneration of the Directors individually and in total are shown below:

	Fees	Salary	Benefits -in-Kind	Sub-Total	Pension	Year to 31 July 1998 Total	Year to 31 July 1997 Total
	£	£	£	£	£	£	£
A M Sugar (Chairman)	54,167	-	-	54,167	-	54,167	50,000
C M Littner	-	200,000	14,828	214,828	20,004	234,832	227,544
J Sedgwick	-	85,000	11,505	96,505	7,500	104,005	89,197
D J Pleat	-	145,833	3,977	149,810	4,667	154,477	-
A G Berry	10,000	-	-	10,000	-	10,000	10,000
D A Alexiou	10,000	-	-	10,000	-	10,000	10,000
C T Sandy	10,000	-	-	10,000	-	10,000	10,000
	84,167	430,833	30,310	545,310	32,171	577,481	396,741

Share Options

An Executive Share Option Scheme exists for both directors and employees.

No options were exercised by directors during the year.

The Directors' interests in the Executive Share Option Scheme are as follows:

	At 1st August 1997	(Exercised)/ Granted	At 31st July 1998	Exercise Price (Pence)*	Exercise Period Earliest	Latest
C.M. Littner	300,060	-	300,060	15.96	14.3.97	13.3.04
C.M. Littner	256,900	-	256,900	30.84	18.10.98	17.10.05
C.M. Littner	200,000	-	200,000	123.20	20.12.99	19.12.06
	756,960	-	756,960			
J. Sedgwick	154,140	-	154,140	30.84	18.10.98	17.10.05
J. Sedgwick	200,000	-	200,000	123.20	20.12.99	19.12.06
	354,140	-	354,140			
D. J. Pleat	-	300,000	300,000	68.00	20.12.99	19.12.06
	-	300,000	300,000			

There were no changes in the interests of the Directors between 31st July 1998 and 21st October 1998.

* Adjusted following the Rights Issue, share subdivision and for previous members who have left.

The mid-market price of the shares at 1st August 1997 and 31st July 1998 was 99.5p and 64.5p respectively. These two prices also represent the highest and lowest prices of the shares during the year ended 31st July 1998.

Notes

(i) Executive Directors, save for the Chairman, are paid a salary for their work, which is determined annually by the Remuneration Committee. Taxable benefits are also provided and these comprise a company car and minor ancillary benefits.

The Company does not operate a pension scheme but makes payments to an external scheme on behalf of Messrs Littner, Sedgwick and Pleat.

(ii) The Directors' long-term incentive is provided in the form of share options, the details of which are provided above.

(iii) The Chairman and Non-Executive Directors are paid a fee for their services.

Approved by the Remuneration Committee

C. T. Sandy
Chairman

21st October 1998

Report of the Auditors

To the members of Tottenham Hotspur plc

We have audited the financial statements on pages 16 to 34 which have been prepared under the accounting policies set out on pages 19 to 21 and the detailed information disclosed in respect of any directors' remuneration and share options set out in the Report of the Remuneration Committee on pages 12 to 14.

Respective responsibilities of Directors and Auditors
As described on page 11 in the Directors' Report the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards 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 circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which 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 of the state of affairs of the Company and Group as at 31st July 1998 and of the result of the Group for the year ended 31st July 1998 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors — 21st October 1998

Hill House
1 Little New Street
London EC4A 3TR

Consolidated Profit and Loss Account

for the year ended 31st July 1998

	Note	Year ended 31 July 1998 £'000	Year ended 31 July 1997 £'000
Turnover - continuing operations	2	31,189	27,874
Cost of sales and distribution costs		3,521	3,043
Player and match expenses		17,326	11,831
Administrative expenses		4,160	4,351
		25,007	19,225
Operating profit before player trading - continuing operations	3	**6,182**	**8,649**
Player trading	6	(7,113)	(1,528)
Operating (loss)/profit on ordinary activities before interest		(931)	7,121
Net interest (payable)/receivable	5	(39)	452
(Loss)/Profit on ordinary activities before taxation		(970)	7,573
Taxation charge on (loss)/ profit on ordinary activities	7	(2,192)	(228)
(Loss)/Profit on ordinary activities after taxation		(3,162)	7,345
Equity dividends	8	(584)	(1,007)
Retained (loss)/profit for the year	9	(3,746)	6,338
(Loss)/Earnings per share	10		
- after player trading		(3.1)p	7.3p
- before player trading		3.9p	8.8p

A Statement of Total Recognised Gains and Losses has not been presented because there were no recognised gains or losses other than as stated in the Consolidated Profit and Loss Account above.

Movements on reserves are shown in note 20 to the Accounts.

Balance Sheets
as at 31st July 1998

	Note	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Fixed assets:					
Intangible assets	11	20,633	22,624	-	-
Tangible assets	12	45,833	36,562	45,759	36,527
Investments	13	-	-	1,345	1,345
		66,466	59,186	47,104	37,872
Current assets:					
Stocks	14	344	439	344	439
Debtors	15	3,541	4,611	723	473
Cash at bank and in hand		414	9,078	-	9,137
		4,299	14,128	1,067	10,049
Creditors:					
Amounts falling due within one year	16	(22,101)	(22,760)	(10,585)	(13,343)
Net current liabilities		(17,802)	(8,632)	(9,518)	(3,294)
Total assets less current liabilities		48,664	50,554	37,586	34,578
Creditors:					
Amounts falling due after more than one year	17	(4,384)	(4,740)	(4,365)	(4,600)
		44,280	45,814	33,221	29,978
Provisions for liabilities and charges	18	(4,152)	(1,946)	-	(1,946)
Net assets		40,128	43,868	33,221	28,032
Capital and reserves:					
Called up share capital	19	5,037	5,035	5,037	5,035
Share premium account	20	11,123	11,119	11,123	11,119
Revaluation reserve	20	2,764	2,812	2,424	2,472
Profit and loss account	20	21,204	24,902	14,637	9,406
Equity shareholders' funds		40,128	43,868	33,221	28,032

The financial statements were approved by the Board of Directors on 21st October 1998.

Signed on behalf of the Board

A.M.Sugar
Director

J. Sedgwick
Director

Consolidated Cash Flow Statement
for the year ended 31st July 1998

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Net cash inflow from operating activities	22		9,971		9,852
Returns on investments and servicing of finance:					
Interest received		446		784	
Interest paid		(262)		(189)	
Interest element of hire purchase and finance lease payments		(136)		(125)	
Net cash inflow for returns on investments and servicing of finance			48		470
UK corporation tax (including advance corporation tax)			(251)		(637)
Capital expenditure and financial investment:					
Payments to acquire players' registrations		(9,614)		(13,519)	
Receipts from sales of players' registrations		2,436		5,769	
Payments to acquire tangible fixed assets		(8,836)		(2,783)	
Receipts from sales of tangible fixed assets		10		35	
Net cash outflow for capital expenditure and financial investment:			(16,004)		(10,498)
Equity dividend paid:			(1,007)		(1,036)
Cashflow before use of liquid resources and financing:			(7,243)		(1,849)
Management of liquid resources:					
Cash taken off short-term deposit			8,276		2,225
Financing:					
Net decrease in obligations under hire purchase and lease contracts	24	(402)		(329)	
Issue of ordinary share capital	21,24	6		94	
Bank loan repayments	24	(1,000)		(1,000)	
Other loans repaid	24	(25)		(100)	
Net cash outflow from financing			(1,421)		(1,335)
Decrease in cash			(388)		(959)

Notes to the Accounts
for the year ended 31st July 1998

1. Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts.

Basis of accounting
The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention with the exception that certain freehold and leasehold properties have been revalued.

Basis of consolidation
The consolidated accounts incorporate the accounts of Tottenham Hotspur plc and its subsidiaries.

A separate profit and loss account dealing with the results of the Company only has not been presented as permitted by Section 230 of the Companies Act 1985.

Comparatives
Minor reclassifications have been made to prior year figures to achieve comparability with the current year.

Turnover
Turnover represents gate receipts and commercial income exclusive of Value Added Tax.

Depreciation
Freehold land is not depreciated.

Leasehold property is amortised over the term of the lease.

Other fixed assets are depreciated on a straight line basis at annual rates appropriate to their estimated useful lives as follows:

Freehold properties	2%
Motor vehicles	20%
General plant and equipment	10% - 33%

Stocks
Stocks, which comprise goods held for resale, are valued at the lower of cost and net realisable value.

Signing on fees
Signing on fees are charged to player and match expenses in the Profit and Loss Account in the accounting period in which they are payable.

Intangible Fixed Assets
The costs of players' registrations are capitalised and amortised over the period of the respective players' contracts.

Transfers are recognised in the year in which the transfer is registered with the relevant football governing body (currently the Premier League) except where the contract is not conditional upon registration in which case the transfer is recognised when the contract becomes unconditional (usually when payment is made or received). Payments or receipts which are contingent on the performance of team or player are not recognised until the events crystallising such payments or receipts have taken place.

Fixed asset investments
Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Pension costs
Defined contribution arrangements are made for eligible employees of the Group. The pension cost charged in the year represents contributions payable by the Group to the pension scheme.

Leases
Assets held under finance leases are included in fixed assets at total rental cost less finance charges. Finance charges are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to the Profit and Loss Account in equal annual amounts over the periods of the leases.

Deferred taxation
Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Grants receivable
Grants receivable are credited to a deferred credit account and released to the Profit and Loss Account over the life of the asset in respect of which they are receivable.

Foreign exchange
Transactions denominated in foreign currencies are translated into sterling and recorded at the rates of exchange ruling at the date of the transactions. Monetary assets and

liabilities denominated in a foreign currency are translated into sterling at the exchange rates ruling on the Balance Sheet dates. Translation differences are dealt with in the Profit and Loss Account.

2. Turnover

Turnover which is all derived from the Company's principal activity is analysed as follows:

	Year ended July 1998 £'000	Year ended July 1997 (as restated) £'000
Gate receipts	14,289	13,641
Television	6,442	4,808
Sponsorship	5,555	4,606
Merchandising	3,584	3,839
Other	1,319	980
	31,189	27,874

Turnover all derives from activities in the United Kingdom.

3. Operating profit - continuing operations

This is stated after charging/(crediting) the following:

	Year ended July 1998 £'000	Year ended July 1997 £'000
Depreciation of tangible fixed assets:		
- owned	868	960
- leased	285	352
Release of grants - deferred credit	(48)	(58)
Auditors' remuneration and expenses:		
- audit fee	34	30
- other services	33	49
Operating lease rentals:		
- land and buildings	134	87
- other	1	7

4. Staff numbers and costs

The average number of employees of the Group during the year, excluding Directors, was as follows:

	Year ended July 1998 Number	Year ended July 1997 Number
Players and football administration staff	99	89
Administration staff	41	46
Retail and distribution staff	31	30
	171	165

In addition the Group employs on average 482 temporary staff on matchdays.

The aggregate payroll costs of these employees were as follows:

	Year ended July 1998 £'000	Year ended July 1997 £'000
Salaries and bonuses	15,489	11,014
Social security costs	1,464	1,016
Other pension costs	27	27
	16,980	12,057

5. Net interest (payable)/receivable

	Year ended July 1998 £'000	Year ended July 1997 £'000
Interest receivable	354	764
Interest payable on bank overdrafts and other loans repayable within five years	(257)	(187)
Finance lease charges	(136)	(125)
	(39)	452

6. Player trading

	Year ended July 1998 £'000	Year ended July 1997 £'000
Proceeds	814	5,124
Net book value of players sold	(34)	(768)
Amortisation of players	(7,893)	(5,884)
	(7,113)	(1,528)

7. Taxation charge on (loss)/profit on ordinary activities

	Year ended July 1998 £'000	Year ended July 1997 £'000
UK corporation tax at 31% (1997 - 31%)	126	-
Deferred tax	2,589	228
	2,715	228
Adjustment in respect of prior years	(523)	-
	2,192	228

The tax charge is high because player registration amortisation exceeds player registration acquisitions (on which tax relief is claimed).

8. Dividends

	Year ended July 1998 £'000	Year ended July 1997 £'000
Interim dividend paid of 0.33p per share	(332)	(332)
Final dividend of 0.25p per share (1997 - 1.0p total)	(252)	(675)
	(584)	(1,007)

9. Parent Company profit

The loss after taxation for the year includes a profit of £5,767,000 (1997 - £3,670,000) dealt with in the Accounts of the Company.

10. Earnings per share

Earnings per share have been calculated using the weighted average number of shares in issue in each year.

Two figures are presented for earnings per share. In addition to the usual definition of earnings per share the Directors believe that earnings per share before player trading items is a useful guide to the underlying performance of the Group.

	Year ended July 1998 £'000	Year ended July 1997 £'000
(Loss)/Profit after taxation	(3,162)	7,345
Player trading less amortisation	7,113	1,528
Profit after taxation excluding player trading	3,951	8,873
Weighted average number of shares in issue	100,725,780	100,306,722
(Loss)/Earnings per share	(3.1)p	7.3p
Earnings per share excluding player trading	3.9p	8.8p

11. Intangible Fixed Assets

Group

	£'000
Cost of players' registrations	
At 1st August 1997	35,237
Additions	6,146
Disposals	(2,984)
At 31st July 1998	38,399
Amortisation of players' registrations	
At 1st August 1997	12,613
Charged in year	7,893
Disposals	(2,740)
At 31st July 1998	17,766
Net book value of players' registrations	
At 31st July 1998	20,633
At 31st July 1997	*22,624*

12. Tangible Fixed Assets

	Land and Buildings			General	
		Short	Motor	plant and	
Group	Freehold	leasehold	vehicles	equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1st August 1997	36,593	1	99	6,065	42,758
Additions	8,475	-	111	1,850	10,436
Disposals	-	-	(34)	-	(34)
Revaluation adjustment	(2,800)	-	-	-	(2,800)
At 31st July 1998	42,268	1	176	7,915	50,360
Depreciation					
At 1st August 1997	2,157	-	64	3,975	6,196
Charged in year	643	-	23	487	1,153
Disposals	-	-	(22)	-	(22)
Revaluation adjustment	(2,800)	-	-	-	(2,800)
At 31st July 1998	-	-	65	4,462	4,527

Net book value					
At 31st July 1998	42,268	1	111	3,453	45,833
At 31st July 1997	*34,436*	*1*	*35*	*2,090*	*36,562*
Cost or valuation comprises:					
At cost	-	-	176	7,915	8,091
At 1998 valuation	42,268	1	-	-	42,269
At 31st July 1998	42,268	1	176	7,915	50,360
Company					
Cost or valuation					
At 1st August 1997	36,593	1	11	6,065	42,670
Additions	8,475	-	42	1,850	10,367
Disposals	-	-	-	-	
Revaluation adjustment	(2,800)	-	-	-	(2,800)
At 31st July 1998	42,268	1	53	7,915	50,237
Depreciation					
At 1st August 1997	2,157	-	11	3,975	6,143
Charged in year	643	-	5	487	1,135
Disposals	-	-	-	-	-
Revaluation adjustment	(2,800)	-	-	-	(2,800)
At 31st July 1998	-	-	16	4,462	4,478
Net book value					
At 31st July 1998	42,268	1	37	3,453	45,759
At 31st July 1997	*34,436*	*1*	-	*2,090*	*36,527*
Cost or valuation comprises:					
At cost	-	-	53	7,915	7,968
At 1998 valuation	42,268	1	-	-	42,269
At 31st July 1998	42,268	1	53	7,915	50,237

The properties were externally valued by Drivers Jonas chartered surveyors on 31st July 1998 on the basis of depreciated replacement cost in the case of the Stadium and of open market value for existing use in the case of other properties. The revalued amount did not differ significantly from our Net Book Value and therefore the effect on net assets is zero.

Freehold land totalling £3,278,000 has not been depreciated.

The amount of land and buildings (included above at cost or valuation) determined according to the historical cost accounting rules is as follows:

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Cost	44,657	36,104	44,657	36,182
Depreciation	(5,016)	(4,636)	(5,016)	(4,374)
	39,641	31,468	39,641	31,808

Fixed assets held under finance leases are as follows:

	Group	Company
	General plant and equipment	General plant and equipment
	£'000	£'000
Net book value	965	965
Depreciation charged in year	285	285

13. Investments held as fixed assets

Investments held as fixed assets by the Company represent the investments in subsidiary undertakings which are analysed as follows:

Shares	Cost and Net Book Value £'000
At 1st August 1997 and at 31st July 1998	1,345

At 31st July 1998, the Company had the following principal subsidiary undertaking which is registered and operates in England and Wales:

	Share Class	Holding
The Tottenham Hotspur Football & Athletic Company Limited - professional football club	Ordinary	100%

14. Stock

	Group		Company	
	1998	1997	1998	1997
Stock	344	439	344	439

Stock comprises merchandising goods held for resale.

15. Debtors

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Trade debtors	2,232	3,441	140	146
Other debtors	362	512	498	209
Prepayments and accrued income	947	658	85	118
	3,541	4,611	723	473

Trade debtors above include £231,000 (1997 - £1,853,000) in respect of players' registrations.

16. Creditors - amounts falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loan	1,000	1,000	1,000	1,000
Bank overdraft	-	-	4,081	-
Hire purchase and finance lease obligations	614	359	614	357
Payments received in advance	11,518	10,270	1,650	1,650
Trade creditors	2,292	6,436	48	374
Amounts owed to Group undertakings	-	-	775	7,382
Other creditors	616	1,074	262	388
Corporation tax	772	808	772	549
Advance corporation tax	63	167	63	167
Other tax and social security	3,504	1,028	260	3
Accruals and deferred income	1,470	943	808	798
Dividend payable	252	675	252	675
	22,101	22,760	10,585	13,343

Trade creditors above include £2,196,000 in respect of transfers of players' registrations (1997 - £5,875,000).

17. Creditors - amounts falling due after more than one year

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Bank loan	250	1,250	250	1,250
Obligations under finance leases and hire purchase contracts	1,570	757	1,570	757
Payments received in advance	19	140	-	-
Grants - deferred credits	2,545	2,593	2,545	2,593
	4,384	4,740	4,365	4,600

Obligations under finance leases and hire purchase contracts which are all repayable within five years are secured by related leased assets.

Repayment terms of the bank loan are as follows:

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Between one and two years	250	1,000	250	1,000
Between two and five years	-	250	-	250
	250	1,250	250	1,250

18. Provisons for liabilities and charges

	Group £000	Company £000
At 1st August 1997	1,946	1,946
Charged to the profit and loss account	2,589	(2,115)
(Increase)/decrease in ACT set off	(383)	169
At 31st July 1998	4,152	-

The amount of deferred taxation provided in the financial statements is as follows:

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Accelerated capital allowances	-	2,150	-	2,150
Losses	(1,486)	-	-	-
Other short term timing differences	-	(35)	-	(35)
Players	6,190	-	-	-
	4,704	2,115	-	2,115
Advance corporation tax recoverable	(552)	(169)	-	(169)
	4,152	1,946	-	1,946

The potential amount of unprovided deferred taxation is as follows:

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Accelerated capital allowances	2,378	(2)	2,378	-
Other short term timing differences	(24)	-	(24)	-
Losses	-	(1,519)	-	-
Players' registrations	-	7,013	-	-
	2,354	5,492	2,354	-

The above figures exclude taxation payable:

(a) on disposal of revalued properties, since no material liability is anticipated;

(b) on the chargeable gain which arose on the disposal of the Cheshunt training ground in June 1986, since rollover relief applies.

19. Called up share capital

	Number	£'000
Authorised:		
At 31st July 1997 and 1998 - ordinary shares of 5 pence each	108,000,000	5,400
Allotted and fully paid:		
At 31st July 1997 - ordinary shares of 5 pence each	100,698,310	5,035
Options exercised under Executive Share Option Schemes	40,000	2
At 31st July 1998 - ordinary shares of 5 pence each	100,738,310	5,037

As at 31st July 1998 options over 3,300,200 ordinary shares in the company had been granted to Directors and employees under the Executive Share Option Scheme, details of which are as follows:

Options exercisable between:	Option Price Per Share *	Number of Options
14 March 1997 - 13 March 2004	15.96p	1,335,880
18 October 1998 - 17 October 2005	30.84p	719,320
20 December 1999 - 19 December 2006	123.20p	945,000
20 December 1999 - 19 December 2006	68.00p	300,000

* Adjusted following the Rights Issue in May 1996 and the five-for-one share sub-division in February 1997.

20. Reserves

	Group			Company		
	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1st August 1997	11,119	2,812	24,902	11,119	2,472	9,406
Share options exercised	4	-	-	4	-	-
(Loss)/Profit for the financial period	-	-	(3,162)	-	-	5,767
Dividends (note 8)	-	-	(584)	-	-	(584)
Amortisation of revaluation reserve	-	(48)	48		(48)	48
At 31st July 1998	11,123	2,764	21,204	11,123	2,424	14,637

21. Reconciliation of movements in Group shareholders' funds

	Year ended July 1998 £'000	Year ended July 1997 £'000
(Loss)/profit for the year	(3,162)	7,345
Share options exercised	6	94
Dividends (note 8)	(584)	(1,007)
Net addition to shareholders' funds	(3,740)	6,432
Opening shareholders' funds	43,868	37,436
Closing shareholders' funds	40,128	43,868

22. Reconciliation of operating profit to net cash inflow from operating activities

	Year ended July 1998 £'000	Year ended July 1997 £'000
Operating profit	6,182	8,649
Depreciation charge	1,153	1,312
Loss on sale of tangible fixed assets	2	15
Decrease/(increase) in stocks	95	(150)
Increase in debtors	(522)	(313)
Increase in creditors	3,061	339
Net cash inflow from operating activities	9,971	9,852

23. Reconciliation of net cash flow movement in net funds/(debt)

	Year ended July 1998 £'000	Year ended July 1997 £'000
Decrease in cash in the year	(388)	(959)
Cash outflow from decrease in debt and lease financing	1,427	1,429
Cash inflow from decrease in liquid resources	(8,276)	(2,225)
Change in net funds resulting from cash flows	(7,237)	(1,755)
New finance leases	(1,469)	-
Movement in net funds in the year	(8,706)	(1,755)
Net funds at 1st August	5,687	7,442
Net (debt)/funds at 31st July	(3,019)	5,687

24. Analysis of movement in net funds

	At 1st August 1997 £'000	Cashflow £'000	Other £'000	At 31st July 1998 £'000
Cash at bank and in hand	403	(388)	-	15
Cash on deposit	8,675	(8,276)	-	399
Cash as shown on balance sheet	9,078	(8,664)	-	414
Debt due within one year	(1,025)	1,025	(1,000)	(1,000)
Debt due after more than one year	(1,250)	-	1,000	(250)
Finance leases	(1,116)	402	(1,469)	(2,183)
	(3,391)	1,427	(1,469)	(3,433)
Total	5,687	(7,237)	(1,469)	(3,019)

25. Analysis of changes in financing during the year

	Share capital £'000	Share premium account £'000	Hire purchase and finance lease obligations £'000	Term bank loan £'000	Other loans £'000
At 1st August 1997	5,035	11,119	1,116	2,250	25
Cash inflow/(outflow) from financing	2	4	1,067	(1,000)	(25)
At 31st July 1998	5,037	11,123	2,183	1,250	-

The term bank loan includes £1,000,000 repayable within one year of the balance sheet date.

26. Commitments

The annual commitments under non-cancellable operating leases are:

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Land and buildings:				
Leases expiring within one year	29	-	29	-
Leases expiring within 2 to 5 years	31	-	31	-
Leases expiring in more than 5 years	65	65	65	65
	125	65	125	65
Other:				
Leases expiring within 1 year	11	2	11	-
Leases expiring within 2 to 5 years	94	35	94	35
	105	37	105	35
Capital commitments were as follows:				
contracted	-	9,014	-	9,014
authorised but not contracted	-	609	-	609
	-	9,623	-	9,623

27. Related party transactions

The following paragraphs give details of all material interests of Directors in contracts and transactions involving the Company and any of its subsidiary undertakings.

A three-year advertising contract between the Company and Viglen Limited (total value £65,000 plus VAT) will terminate during the year to 31st July 1999. Viglen Limited is a subsidiary of Viglen Technology plc. A.M. Sugar has a substantial minority shareholding in Viglen Technology plc.

A three year advertising contract between the Company and Amstrad plc (total value £65,000 plus VAT) will terminate during the year to 31st July 1999. A.M. Sugar has a substantial minority shareholding in Amstrad plc.

All of these transactions were at arm's length.

The following items have been included in Directors' emoluments:

(a) During the year the Company paid fees totalling £54,167 to Amshold Limited in respect of the services of A. M. Sugar and a total of £10,000 to Amshold Limited in respect of the services of C. T. Sandy. Amshold Limited is wholly owned by A. M. Sugar.

(b) During the year the Company paid fees totalling £10,000 plus VAT to Aldwick Management Services Limited in respect of the services of A. G. Berry.

28. Pensions

Certain staff of the Group are members of the Football League Limited Pension and Life Assurance Scheme. Others are members of a self-administered Group money purchase scheme. The assets of these schemes are held separately from those of the Group, being invested with insurance companies. The pension cost charged during the year amounted to £59,000 (1997 - £49,000).

29. Contingent liabilities

The Company, together with its subsidiaries, has given a multilateral undertaking to its bankers to guarantee the overdrafts of the Group Companies.

Under the terms of certain contracts for the purchase of players' registrations future payments may be due, dependent on the success of the team and/or individual players. Similar terms exist in contracts for sales of players' registrations. In practice not all of these contingent liabilities will crystallise and the Directors consider that it is unlikely that there will be a net material charge to the Group in any year in respect of the above.

Five Year Review

	July 1998 £'000	July 1997 £'000	Pro forma 12 months to July 1996 £'000	May 1995 £'000	May 1994 £'000
Turnover (excluding player trading)	31,189	27,874	25,589	21,296	17,767
Operating profit before player trading - continuing operations	**6,182**	**8,649**	**8,729**	**5,404**	**3,584**
Player trading	(7,113)	(1,528)	3,035	578	(656)
Exceptional items		-	(7,290)	-	(1,791)
Operating (loss)/profit on ordinary activities before interest	(931)	7,121	4,474	5,982	1,137
Net interest (payable)/receivable	(39)	452	(257)	(629)	(252)
(Loss)/profit on ordinary activities before taxation	**(970)**	7,573	4,217	5,353	885
Taxation	(2,192)	(228)	(2,713)	(443)	(288)
(Loss)/Profit for the financial year	(3,162)	7,345	1,504	4,910	597
Dividends	(584)	(1,007)	(941)	(481)	(75)
Retained (loss)/profit	(3,746)	6,338	563	4,429	522
Net assets					
Intangible fixed assets	20,633	22,624	10,215	15,816	10,901
Tangible fixed assets	45,833	36,562	35,093	34,025	24,249
Net current liabilities	(17,802)	(8,632)	(37)	(12,577)	(8,871)
Total assets less net current liabilities	48,664	50,554	45,271	37,264	26,279
Creditors - amounts falling due after more than one year	(8,536)	(6,686)	(7,835)	(9,949)	(3,393)
Net assets	40,128	43,868	37,436	27,315	22,886
(Loss)/Earnings per share	(3.1p)	7.3p	1.7p	6.0p	0.7p
Dividends per share	0.33p	1.00p	0.86p	0.60p	0.20p

Following the share subdivision in February 1997, each periods' earnings per share and dividends per share figures have been restated to reflect the increased number of shares.