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Sheffield United plc
Report and Accounts 2003



OUR AIMS

To see the Club re-promoted to and established in the FA Premier League, achieve greater and sustainable revenue streams, and provide ever improving entertainment and facilities for Sheffield United supporters.

OUR STRATEGY

As we strive for success we pledge to:

- Use the Academy to develop predominantly local players to play exciting and entertaining football;
- Continue to develop the Group's off-the-field commercial activities in order to maximise the value of the *Sheffield United* and *Blades* brands;
- Provide a top-class stadium with ancillary, commercial, retail and leisure facilities at Bramall Lane;
- Carry out an active role in assisting the local community;
- Satisfy shareholders and supporters as best we can; and
- Provide an environment in which our employees can develop and achieve their goals.

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I have pleasure in presenting the group's best results for some years, alongside of course, Sheffield United FC having one of the most enjoyable and successful seasons since it became a professional football club in 1889.

It really is pleasing to report the financial outcome for the year ended 30 June 2003 where:

- turnover achieved was £13.0 million – a 30% increase from the previous year
- operating profits before player amortisation and costs of terminating player contracts of £0.5 million were earned, as against a loss of £0.9 million in 2002

The results are all the more remarkable recognising that the Nationwide League central distribution for TV income was some £2.4 million less than in 2002, arising principally due to a loss of revenue from ITV Digital. Were it not for the collapse of ITV Digital in March last year, profits of real substance would have been earned. Compared to many other football organisations, Sheffield United has coped well with the financial downturn of the industry.

FOOTBALL

What a fantastic season for the Blades!

I am sure all shareholders and supporters will remember 2002/03 with pride as the Club achieved so much, even though there was ultimately disappointment at Cardiff on 26 May. Sheffield United is a proud club once again, now so much more admired by other football organisations than has been the case for a considerable period of time. In a season when 34 league and cup matches were staged at Bramall Lane, it is testimony to the quality of football played that we recorded our highest average crowds since 1993/94, when the Blades were last in the Premier League. An average of 18,575 supporters attended league matches despite the extra costs associated with so many cup games. It is heartening to record that the average attendance for the new campaign is currently 22,810 supporters including an increase in season ticket sales of 20% to 12,170 holders. The Club has introduced a more creative pricing policy to encourage fans back to our Stadium in order to make every effort to expand the support base.

The skills and expertise applied by our football management team – ably led by Neil Warnock – deserves rich applause. The consistent efforts of the first team squad – a good few of whom came through the Academy ranks – playing in total 61 games in the season, gave all our fans an epic period of success and so many memorable afternoons and evenings either at Bramall Lane or at our opponents' stadia.

Sheffield United has really worked hard to modernise and transform itself during the last few years. We remain committed to continue this process both on and off the field of play.

Neil and his team have made a most promising start to the present 2003/04 season and, whilst it would be foolhardy to become too optimistic, all of us – supporters and shareholders alike – must be hoping the Blades have that wee bit of luck needed to take us back to the Premier League. The first team squad is strong – albeit presently reduced in number through injuries to certain senior players – and determined to make every effort to go one better this time around.

THE ACADEMY

During the year all construction work at the Academy was completed seeing Sheffield United with state-of-the-art facilities which compare favourably with the best available throughout the whole of the country.

We are justifiably proud that, at a time when Nationwide League clubs have suffered the vagaries of substantial reductions in broadcasting revenue, alongside excessive annual player wage costs, the Blades have still been able to forge ahead. All talented youngsters recruited at the Academy have the best possible chance of being educated and coached to become top class footballers, eventually making their way to the senior squad.

Phil Jagielka, Michael Tonge, Nick Montgomery and Colin Cryan – recent members of the Academy – are now regular first team players and all internationals at Under-21 level for either England, Scotland or Ireland.

The consistent efforts of the first team squad – a good few of whom came through the Academy ranks – playing in total 61 games in the season, gave all our fans an epic period of success and so many memorable afternoons and evenings either at Bramall Lane or at our opponents' stadia.

Rest assured under the watchful eye of John Warnock and his excellent management and coaching team at the Shirecliffe Road headquarters, other youngsters are blossoming to move up the ranks. Indeed there are currently six Academy scholars who have played at international level for their countries.

An ideal benchmark of progress is that seven of the Under-18s team – who lost on penalties in the fifth round of the FA Youth Cup against the eventual winners, Manchester United – are eligible to play in the same category this year. Our Under-17s youngsters were unfortunate to lose in the play-offs for the League to the eventual winners Leeds United.

The performance of the Academy's Under-19s team was adversely affected but only as a result of so many of the eligible players making their way into the reserve team squad which, incidentally, won the Premier Division of the Avon League.

The Academy facilities are in part being utilised for commercial purposes to ensure that there is a useful flow of income available to reduce and repay bank borrowings during the coming years. This sees the indoor and outdoor floodlit synthetic surfaces and the adaptation of the vacant third floor within the main premises, being rented out to third parties and generating good revenue.

COMMERCIAL

In a record year for our retail division, over 13,500 Sheffield United home shirts were sold during the season. One only has to look around our stadium on match days to see red and white stripes in abundance. The new white away strip, launched in summer 2003, has already proved to be a big success and is popular dress wear for our loyal fans. The design process for the next strip is already underway.

Advertising and sponsorship improved dramatically within the period under review and we are now in discussion with Desun to possibly extend the marketing arrangements beyond the present expiry date of May 2004.

Occupancy of executive boxes and utilisation of the Platinum Suite have also increased, although there is still some work to do in order to generate further revenue from

the excellent dining and social facilities we have within the John Street Stand.

The Club has over 10,000 subscribers in the Blades Superdraw lottery and is planning to extend membership in the near future. The efforts applied by our personnel have made the lottery one of the most successful in football.

The catering division had a small uplift in revenue during the year, but it is recognised that there is potential for better growth which is being concentrated on presently.

ENTERPRISE CENTRE

Our highly acclaimed Blades Enterprise Centre has prospered further during the fiscal period and should in the current financial year, make a contribution of significance to profits. Occupancy levels are around 95% reflecting the excellent facilities and the top class service provided by our dedicated in-house team.

In a similar manner to the Academy, our Enterprise Centre is a clear demonstration of Sheffield United plc's desire to 'build a business' which does not solely rely upon on the field success.

We continue to create income streams consistent with our core activity of football.

PROPERTY AND INFRASTRUCTURE

Every effort is being applied to move a stage further in the development of an hotel within part of the car park adjoining our stadium, where – subject to formal building consents and finance being in place – enabling works may well commence at the end of the present season.

Our amended proposals encompass an hotel of around 120 bedrooms, and a lower ground floor area to be utilised for other leisure uses. We have negotiations ongoing with two prospective national hotel operators.

Once this further phase of the Blades Leisure Park is underway, the Club will coincidentally infill the corner between Bramall Lane and the South Stand to improve facilities and in particular those for our disabled supporters.

Under the watchful eye of John Warnock and his excellent management and coaching team at the Shirecliffe Road headquarters, other youngsters are blossoming to move up the ranks.

CHAIRMAN'S STATEMENT

FINANCING

The company's Open Offer of shares was approved by members on 30 May 2003 and a total of £4 million – prior to costs – was raised through the issue of new stock. Some £3.5 million of this capital was applied to reduce overall debt of Sheffield United plc with the residue providing ongoing working capital.

Around 80% of the Open Offer stock was taken up by members reflecting their desire to see the Blades continue its progress in 'building a business'.

It is encouraging that via the new capital raised, borrowings have been reduced and importantly no one individual controls the Company. Undoubtedly the directors and executives are better placed to implement strategy as a result of the successful Open Offer.

Sheffield United plc has recently transferred its quotation to the Alternative Investment Market (AIM) of the London Stock Exchange, which we believe is of value to shareholders given the size of the organisation. The AIM market does not require such comprehensive reporting procedures as for those companies who have a full listing, and thus we should see a sensible reduction of annual administration costs.

BOARD CHANGES

The Board of the Parent Company was strengthened by the appointment of Mark Fenoughty as finance director in July 2003. Mark brings with him much experience of the football industry, having previously been in a similar position at Leicester City F.C. Importantly Mark is a life-long supporter of the Blades.

My colleague, Derek Dooley, has retired from the Board but remains as our much admired Football Club Chairman. Derek is still on hand to assist the executive team with football related matters and, more importantly, to continue the splendid ambassadorial role he has carried out for Sheffield United over so many years.

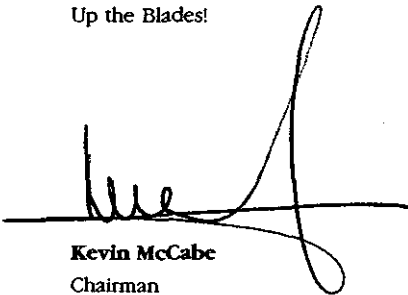
The accompanying Finance Report and Business Review provides members with a comprehensive report of the company's wide ranging activities where all colleagues

work hard to advance turnover and with it profitability on an annual basis.

On what has proved to be a most successful period for Sheffield United, could I praise all members of the team – both on and off the field of play – be it at Bramall Lane or the Academy for their tremendous effort and the consistency they have applied on behalf of shareholders and supporters alike.

Finally my gratitude to co-directors on the Boards of the Parent Company, Sheffield United F.C. and the Academy for their time, support and dedication.

Up the Blades!



Kevin McCabe

Chairman

15 October 2003

On what has proved to be a most successful period for Sheffield United, could I praise all members of the team – both on and off the field of play

BUSINESS ENVIRONMENT

Approximately 19 months ago ITV Digital, the joint venture between Carlton and Granada, collapsed. The implications on Nationwide League football are still significant and the results for Sheffield United for the year ended 30 June 2003 were materially affected after the default by ITV Digital on the contract with the Football League. A £2.4 million reduction in turnover and contribution to operating profit from the guaranteed element of the Football League television agreement is reported in the 12 months to 30 June 2003 in comparison with the previous year.

The fallout from the shortfall in television revenues was exacerbated by the protection afforded to player contracts and the historic tendency by clubs towards multiple year contracts, both of which reduced the options available to football clubs in cutting costs. A more realistic view of player wages has been adopted throughout football together with reduced sized squads and shorter contracts and this was reflected in the opportunities available to Sheffield United to attract higher profile players on realistic wages during summer 2003 to strengthen the squad.

The reduced television income has highlighted once again the importance of the revenue generated by our supporters on match days. One of the objectives for Sheffield United is to increase attendances in all areas of the ground by encouraging and persuading more of our considerable fan base down to Bramall Lane. Additionally the importance of football clubs maximising the use of their assets to develop profit centres which are less affected by on-the-pitch performance has been brought further into focus.

RESULTS

Operating profit before player amortisation and cost of terminating player contracts was £0.5 million compared with a loss of £0.9 million the previous year. Operating profit before interest was £0.2 million, an improvement of £1.5 million on the previous year and loss per share is 0.01 pence compared to 3.7 pence in the previous year.

ACCOUNTING POLICIES

The group accounts are prepared in accordance with UK Generally Accepted Accounting Practice and there were no changes in the year.

CREDITOR PAYMENTS

The creditor payments period has reduced from 101 days at 30 June 2002 to 49 days at 30 June 2003. As a general policy the group encourages long-term relationships with all stakeholders and as a result a concerted effort has been made to improve the payment period.

EMPLOYEES

Programmes have been recently introduced to develop the skills of more of our employees, which will contribute to the successful future of the Club. During the year an intranet was implemented to aid communication with our staff as we enhance employee awareness of the factors that impact on the group's performance.

BUSINESS REVIEW

FOOTBALL

The collapse of ITV Digital and the ramifications for Sheffield United are reflected within the results to 30 June 2003. The Football League agreement with ITV Digital was for a period of three years commencing in the 2001/02 season and the revenue it promised was critical to the medium-term plans of the Club. In the year to 30 June 2003 the guaranteed element of the income generated from the replacement Nationwide League agreement with BskyB was £0.6 million compared with £3.0 million from the ITV Digital contract to 30 June 2002. As the costs associated with earning television revenue from the central contract are negligible the results for 2003 include a reduction in profit from this source of £2.4 million on the previous year. Player wage costs are material to the Club and have historically consisted of numerous long-term contracts. The collapse of ITV Digital therefore has ramifications for more than one season. The Board and the football management team have worked hard to alter the profile of player contracts to allow flexibility.

Longer-term contracts are offered to our promising young and valuable players who are blended with experienced players on short-term contracts.

Longer-term contracts are offered to our promising young and valuable players who are blended with experienced players on short-term contracts. These actions together with the success on the pitch in 2002/03 season have enabled Sheffield United to better deal with problems arising from the deficit in media revenues.

After accounting for the reduction in the guaranteed element of the Football League television revenue, turnover from gate receipts and television income increased by £3.7 million. The increase was driven by success in both domestic cup competitions, increased gate receipts for league matches and qualification for the play-off final. Turnover from gate receipts and television income from the domestic cup competitions totalled £1.5 million compared to £0.1 million in the previous year as the Club reached the semi-final stage in the FA Cup and the Worthington Cup, winning four matches against Premier League opposition. Gate receipts increased by 57% to £4.0 million, reflecting an increased average crowd of 18,575 for home league and play-off matches, and contribution from qualification for the play-off final.

The average home attendance for 2003/04 season is currently 22,810, which is 17% ahead of the average recorded in the Club's last Premier League season of 1993/94 and 23% ahead of 2002/03 season. One of the factors driving our financial success is the number of supporters who attend the ground on match days and as the support base increases the Club is able to invest additional resources in the ground and the playing squad. The Club has been proactive in developing a simplified pricing structure for the 2003/04 season which guarantees minimum savings for season ticket holders whilst allowing for deep discounts to be applied to certain matches to encourage supporters back to the Lane.

Unfortunately, the irresponsible actions of a few have resulted in the closure of an area of the ground for the whole of 2003/04 season with no right of appeal. The Club is working hard with the FA, the Police and the Safety Advisory Group to establish parameters that will ensure the re-opening of the restricted area for 2004/05 season.

Player wages for the year were £5.1 million including bonus and appearance payments of £0.9 million. In the previous

year player wages were £4.4 million with bonus and appearance payments of £0.5 million. The balance between maintaining a playing squad able to challenge for Premier League promotion against achieving a sustainable level of player wages is the objective that the Board and the Football Management set out to reach and indeed achieved in the year to 30 June 2003. All credit goes to Neil Warnock and his team in competing with clubs with more resources than Sheffield United.

The Academy completed in the year is a magnificent development. The contribution from the Football Foundation to the construction cost has enabled the building of a facility that is used by the Club, the community and other third parties. The excellent facilities are offered to the communities of Sheffield at affordable prices and the Club earns additional contribution from third parties who enjoy the facility. Together with a significant contribution from our 10,000 member lottery and the numerous other well-supported fund raising initiatives the resources to develop our young players are in place.

SPONSORSHIP, ROYALTIES, MERCHANDISING AND ADVERTISING

Taking advantage of the on-pitch performance the commercial department delivered record results and has started the 2003/04 season positively. Box sales for the year to 30 June 2003 totalled 27 out of 31 and those available were often hired on a match-by-match basis. The commercial department enjoyed a number of sell outs in both cup and league matches as customers took advantage of the excellent dining facilities and levels of service available at the Lane on match days. For 2003/04 season 28 boxes have been sold and match day hospitality package sales have increased markedly. The year to 30 June 2003 also included contribution from the Club sponsorship with Desun, the Academy sponsorship with Hallam FM and the kit agreement with Le Coq Sportif.

The retail department delivered turnover of £1.2 million, an excellent increase of 145% compared to the prior year. In a year in which both home and away shirts were launched together with a new range of training wear, the employees of the retail department worked tremendously hard to service supporter demand from the high profile cup and league

Taking advantage of the on-pitch performance the commercial department delivered record results and has started the 2003/04 season positively.

success. For 2003/04 season a new white away shirt has been launched with strong sales and retail concessions are now open in three shops in Sheffield. The design and quality of our products is fundamental to the success of the retail department and regular contact with our customers ensures that we offer the products that supporters want to buy.

CONFERENCE AND BANQUETING

Sales from conference and banqueting increased by 8% to £0.9 million. We continue to deliver an excellent product with high standards of service and management attention will be focussed on taking advantage of these selling points to deliver increased sales and contribution, particularly on non-match days. The development of a calendar of events and strong Christmas bookings have ensured a busy start to the year.

SOCCER ROYALTY, CORPORATE HOSPITALITY AND STEWARDING

Strong cost control has reduced the losses despite a reduction in turnover. The largest customer of the stewarding operation is still the Football Club although contracts for stewarding and security services for external events continue to be serviced.

BLADES ENTERPRISE CENTRE

Occupancy levels at The Blades Enterprise Centre have been maintained at over 95% for the majority of the year. This business is now emerging from a successful start up period and the centre management have been a part of the success of many residents, from business start-ups to established institutions including Sheffield City Council and Kuju Entertainments. Demand for the office accommodation is strong and residents enjoy the unique location and impressive facilities. With additional services and increased return from office space, a significant contribution is expected in the coming year from a small area of land that was carefully developed two years ago.

BALANCE SHEET

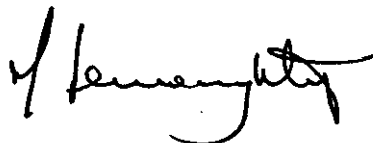
In September 2002 the borrowings of Sheffield United were restructured and the Club began working with new bankers, Bank of Scotland. Additional borrowings were secured, of which £2.2 million was applied during the year to investment in fixed assets, predominantly the completion of the Academy. In May 2003 shareholders overwhelmingly approved an open offer of Sheffield United plc shares. £3.8 million net of costs was raised of which £3.5 million was applied to reduce borrowings in accordance with the covenants with the bank. Group net debt stands at £8.9 million at 30 June 2003, a reduction of £0.8 million on the previous year, and the longer term repayment profile is more appropriate.

SHARE PRICE

The share price has increased during the year, peaking at 12 pence, and is now trading at approximately 10 pence. The Board believes that a strategy of maintaining a well run Club with a sensible level of borrowings, and investing carefully in the team and our fixed assets to maximise the likelihood of promotion to the Premier League, should realise the objectives of our supporters and increase shareholder value.

PROSPECTS

The immediate prospects for the group are exciting. On the pitch we currently occupy top place in the Nationwide League. We have achieved an average gate of 22,810 with season ticket sales of 12,170 and our hospitality suites and boxes are busier than last year. Although the bright outlook does depend on continued success on the pitch, all at the Club are determined to make every effort in the current season. The objective of developing income that is less dependent on football success will continue and the property assets of the Club will be used to best achieve success across the group.



Mark Fenoughty
Finance Director
15 October 2003

The immediate prospects for the group are exciting. On the pitch we currently occupy top place in the Nationwide League. We have achieved an average gate of 22,810 with season ticket sales of 12,170 and our hospitality suites and boxes are busier than last year.

KEVIN McCABE	ALAN BAMFORD	MICHAEL DUDLEY	MARK FENOUGHTY	ANDREW LAVER
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COMPANY REGISTRATION NUMBER: 396956

REGISTERED OFFICE: Bramall Lane
SHEFFIELD S2 4SU

DIRECTORS: Kevin McCabe
Alan Bamford
Michael Dudley
Mark Fenoughty
Andrew Laver

SECRETARY: Mark Fenoughty

BANKERS: Bank of Scotland
EDINBURGH

SOLICITORS: DLA
SHEFFIELD

AUDITORS: Grant Thornton
SHEFFIELD

STOCKBROKERS: KBC Peel Hunt Ltd
LONDON

REGISTRARS: Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
HUDDERSFIELD HD8 0LA

PUBLIC RELATIONS: Humdall Ross Media
SHEFFIELD

Tavistock
LONDON

The directors have pleasure in submitting their report, together with the consolidated financial statements of the group for the year ended 30 June 2003.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out on page 20, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the company and the group at the end of each financial year and of the result of the group for the year. They are responsible for the preparation of the directors' report and other information in the annual report and compliance with the AIM Rules of the Financial Services Authority. They are also responsible for keeping proper accounting records, safeguarding assets, and taking reasonable steps for preventing and detecting fraud and other irregularities.

The directors consider that suitable policies have been consistently applied and that reasonable and prudent judgements and estimates have been used in the preparation of the financial statements. The directors also confirm that applicable accounting standards have been followed.

PRINCIPAL ACTIVITIES

The principal activities of the group comprised a professional football club, conference and banqueting, stewarding, corporate hospitality and a business centre.

REVIEW OF THE BUSINESS

A review of the business and its future developments are contained in the Chairman's statement on pages 2 to 6 and in the financial report and business review on pages 8 to 12.

RESULTS AND DIVIDENDS

The consolidated profit and loss account is set out on page 21 and shows a loss for the year after taxation of £411,000 (2002: £1,838,000). The directors do not recommend the payment of a dividend.

DIRECTORS

The present membership of the Board and their shareholdings are set out below. All directors served throughout the year except where stated:

	30 June 2003	1 July 2002 (or at date of appointment if later)
	Ordinary shares	Ordinary shares
Beneficially held:	10p each	10p each
K C McCabe	14,053,280	415,780
A M Bamford	1,830,000	330,000
D Dooley (resigned 16 July 2003)	14,340	7,170
M D Dudley	13,377,001	877,001
A J Laver	2,660,525	160,525
Non beneficially held:		
K C McCabe	4,531,200	4,531,200
A M Bamford	—	—
D Dooley (resigned 16 July 2003)	—	—
M D Dudley	—	—
A J Laver	506,188	506,188

There have been no changes to the shareholdings since 30 June 2003.

M T Fenoughty was appointed to the Board on 16 July 2003 and the members will be asked to confirm his appointment at the forthcoming Annual General Meeting.

M D Dudley retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The company has a share option scheme under which directors and other executives are able to subscribe for shares in Sheffield United plc. Details of their interests in share options are given in the report on remuneration.

NON-EXECUTIVE DIRECTORS

Michael Douglas Dudley (aged 56) Non-Executive Director – is a Sheffield based businessman and director of a number of companies.

Andrew James Laver (aged 37) Non-Executive Director – an Associate of the Institute of Chartered Accountants in England and Wales, he is a director of the Arnold Laver group of companies.

Kevin Charles McCabe (aged 55) Non-Executive Director – an Associate of the Royal Institute of Chartered Surveyors

REPORT OF THE DIRECTORS

and Chartered Institute of Arbitrators. He is the Chairman of Scarborough Property Group plc, a family owned company incorporated in 1980 and Teesland Group plc, a national property company. He was appointed as Non-Executive Director of The Sheffield United Football Club Limited in 1995.

SUBSTANTIAL SHAREHOLDINGS

Apart from the shareholdings listed below, the directors are not aware of any party interested in 3% or more of the issued ordinary share capital of the company at 15 October 2003.

	Number of Shares	%
Texas Group plc and Texas Holdings Limited	7,287,126	8.1
Scarborough Property Investment Company Limited	3,678,040	4.1
B Procter	3,000,000	3.3

EMPLOYEES

The group places great emphasis on its employees and has continued its practice of keeping them informed of matters affecting their employment and the financial and economic factors affecting the performance of the group.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue.

It is the policy of the group that training, career development and promotion opportunities should be available to all employees.

PAYMENT POLICY

For all trade creditors it is the group's policy to:

- (i) agree the terms of payment at the start of business with that supplier
- (ii) ensure that suppliers are aware of the terms of payment
- (iii) pay in accordance with its contractual and other legal obligations

Trade creditors at the year end amount to 49 days (2002: 101 days) of average supplies for the year.

CHARITABLE DONATIONS

Charitable donations of £4,205 were paid during the year.

ANNUAL GENERAL MEETING

Notice of the Annual General Meeting of the Company to be held on 1 December 2003 at 11.30 a.m. appears on page 39 of the report and accounts.

Special Business

Resolution 5 empowers the directors to allot shares with a nominal value of up to £2,987,949 which represents one third of the issued ordinary share capital of the Company as at 15 October 2003. The authority, if given, will terminate no later than 15 months after the Annual General Meeting. The directors have no present intention of exercising the authority conferred by this resolution.

Resolution 6 allows the directors to allot shares other than in accordance with section 89 of the Companies Act 1985 in connection with rights and other issues and otherwise up to a maximum nominal amount of £448,192, representing approximately 5% of the Company's issued ordinary share capital as at 15 October 2003. The authority will terminate no later than 15 months after the Annual General Meeting.

The directors believe that they should have the authorities proposed under resolutions 5 and 6 to take advantage of business opportunities as they arise, thus maintaining a degree of flexibility to act in the interests of the company.

AUDITORS

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

By order of the Board

M T Fenoughty
Secretary
15 October 2003



CORPORATE GOVERNANCE

APPLICATION OF PRINCIPLES

The company has applied the principles of good governance contained in Section 1 of the Combined Code on Corporate Governance.

DIRECTORS

The company supports the concept of an effective Board leading and controlling the company. The Board is responsible for approving company policy and strategy. It meets monthly and has a schedule of matters specifically reserved to it for decision. Management supplies the Board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the company secretary and independent professionals at the company's expense. Training is available for new directors and other directors as necessary.

The Board consisted of two executive directors and three non-executive directors during the period. The non-executive directors bring a breadth of experience and knowledge and all are independent of management. This provides a balance whereby the Board's decision making cannot be dominated by an individual or small group. Kevin McCabe has been Chairman of the Board since 9 January 2002. In addition to their non-executive duties, each of the non-executive directors devotes a considerable proportion of his time without compensation in the interests of the development of the group. The company's business is managed by Alan Bamford, Chief Executive. Derek Dooley's executive responsibilities relate primarily to football matters. Mark Fenoughty was appointed Finance Director after the year end. The Board has named Andrew Laver as the senior independent non-executive director. The Board members are described on pages 14 and 15. The directors have provided funds to the group as a result of the financial restructuring, further details are given in note 30 to the financial statements.

All directors are subject to re-election at most every three years and, on appointment, at the first AGM after appointment. The Nomination Committee, which comprises the whole Board, meets as required to select and recommend to the Board suitable candidates for both executive and non-executive appointments to the Board.

DIRECTORS' REMUNERATION

The company recognises that directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The policy of the company is to provide sufficient levels of remuneration to attract, retain and motivate executive directors, but to avoid paying more than is necessary for this purpose.

The Remuneration Committee, which carries out the policy on behalf of the Board, comprises Andrew Laver

(Chairman), Michael Dudley and Kevin McCabe, all of whom are independent non-executive directors. It meets at least twice each financial year. As well as considering conditions in the group as a whole, the Committee takes into account the position of the company relative to other companies and is aware of what these companies are paying, though comparisons are treated with caution to avoid an upward ratchet in remuneration. The Committee consults the executive directors and has access to professional advice. The Chairman maintains contact with the principal shareholders.

The remuneration packages of individual directors are structured so that performance related elements form a proportion of the total and are designed to align their interests with those of the shareholders. Share awards are designed so that they are phased and recognise the long-term growth of the company. No director has a service contract of more than one year.

The remuneration of non-executive directors is determined by a sub-committee of the Board comprising the Chief Executive and the Chairman.

The Board's report on remuneration is on page 19. It sets out the company's policy in detail and the full details of all elements in the remuneration package of each individual director.

RELATIONS WITH SHAREHOLDERS

The company values the views of its shareholders and recognises their interest in the company's strategy and performance, Board membership and quality of management.

The AGM is used to communicate with private investors and they are encouraged to participate. The Chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

ACCOUNTABILITY AND AUDIT

The Board presents a balanced and understandable assessment of the company's position and prospects in all interim and price-sensitive reports, as well as in the information required to be presented by statutory requirements. The responsibilities of the directors as regards the accounts are described on page 15, and those of the auditors on page 20.

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the company's assets.

8 CORPORATE GOVERNANCE

The Audit Committee comprises Andrew Laver (Chairman), Michael Dudley and Kevin McCabe, all of whom are independent non-executive directors. The terms of reference of the Committee include keeping under review the scope and results of the external audit and the cost effectiveness. The Committee reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the company, seeking to balance objectivity and value for money.

PRINCIPAL RISKS AND INTERNAL CONTROL

In accordance with the guidance of the Turnbull Committee on internal controls, the Board has identified and set out procedures for managing risks faced by the group. These procedures have been implemented during the financial year and up to the date the financial statements were approved. The risk management procedures and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the group's strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute protection against material misstatement or loss.

Risk management and evaluation takes place as part of the monthly Board meetings. The Board then monitors and reviews the identified risks on a regular basis. A further review is carried out bi-annually by the Audit Committee.

The Board has also reviewed the need for an internal audit function and concluded that such a function is presently unwarranted by the group's size. The Board will review the situation on an ongoing basis.

The directors are responsible for the group's systems of internal control. The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The key features of the group's systems of internal control are as follows:

- (i) detailed budgets and plans which are approved by subsidiary and group Boards;
- (ii) regular consideration by the Board of actual results compared with budgets and forecasts;
- (iii) compliance by subsidiaries with group operating procedures and policies;
- (iv) annual review of the group's insurance cover;
- (v) defined procedures for the appraisal and authorisation of player transfers and capital expenditure; and
- (vi) appropriate delegated authority for the authorisation of group expenditure; and
- (vii) regular reporting of borrowing and facilities to the Board.

MONITORING PROCESS

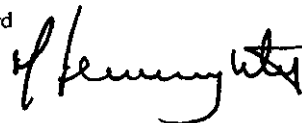
The Board confirms that it has conducted a review of the effectiveness of the group's systems of internal control described above for the financial year and up to the date of this report in accordance with the guidance set out in *Internal Control: Guidance for Directors on the Combined Code* (the Turnbull guidance).

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the group has 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.

By order of the Board

M T Fenoughty
Secretary



REPORT ON REMUNERATION

REMUNERATION COMMITTEE

The membership of the Committee is as follows:

Andrew Laver (Chairman)
Michael Dudley
Kevin McCabe

None of the Committee has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business. The Committee consults the Chairman and Chief Executive about its proposals and has access to professional advice from inside and outside the company.

POLICY ON EXECUTIVE DIRECTORS' REMUNERATION, SERVICE CONTRACTS AND COMPENSATION

Executive remuneration packages are designed to attract, motivate and retain directors of the calibre necessary to enhance the group's position and to reward them for enhancing shareholder value and returns.

There are two main elements of their remuneration package:

- (i) basic annual salary
- (ii) share option incentives.

BASIC ANNUAL SALARY

Each executive director's salary is reviewed annually by the Remuneration Committee in light of the overall performance of the group. In deciding upon appropriate levels of remuneration, the Committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance. Executive salaries were last reviewed by the Board in July 2003.

SHARE OPTIONS

The company operates the 1997 Executive Share Option Scheme that has received shareholder approval. The Board has responsibility for supervising the scheme and the grant of share options under its terms.

Under the 1997 scheme rules, share options may be granted to executives limited to £30,000 in value per individual under the approved section of the scheme and up to four times annual salary under the unapproved section of the scheme.

DIRECTORS' SHARE OPTIONS

None of the directors during the year held options to subscribe for ordinary shares.

NON-EXECUTIVE DIRECTORS

The remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association. Non-executive directors cannot participate in any of the company's share option schemes. Non-executive directors do not have a contract of service and are not eligible to join the company's pension scheme.

SERVICE CONTRACTS

Executive directors have rolling contracts which are terminable by the company on 12 months or less notice.

DIRECTORS' EMOLUMENTS

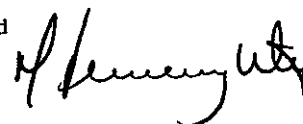
	Basic salaries	Fees	Benefits	Total	Total
	2003	2003	2003	2003	2002
	£000	£000	£000	£000	£000
A M Bamford	—	48	—	48	19
D Dooley	61	—	10	71	57
M D Dudley	—	—	—	—	—
A J Laver	—	—	—	—	—
K C McCabe	—	—	—	—	—
	61	48	10	119	76

EXECUTIVE DIRECTORS' PENSIONS

No contributions were made by the group to directors' pension schemes in the year ended 30 June 2003 (2002: nil).

By order of the Board

M T Fenoughty
Secretary



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SHEFFIELD UNITED PLC

We have audited the financial statements of Sheffield United plc for the year ended 30 June 2003, which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, and notes 1 to 31. These 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 auditor's 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 United Kingdom law and accounting standards 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 United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or the AIM rules regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's statement, the financial report and business review, the report of the directors, the corporate governance statement and the report on remuneration. We consider the implications for our report if we become aware of any

apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

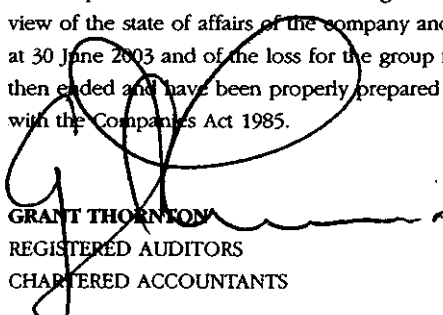
BASIS OF OPINION

We conducted our audit in accordance with United Kingdom 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 group's circumstances, 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 misstatements, 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 the group as at 30 June 2003 and of the loss for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
15 October 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 30 June 2003

	Note	2003 £000	2002 £000
Turnover			
Continuing businesses	2	12,999	10,041
Cost of sales		(9,326)	(7,230)
Gross profit		3,673	2,811
Administrative expenses	2	(4,364)	(5,615)
Other operating income	3	389	418
		(3,975)	(5,197)
Continuing businesses:			
Operating profit/(loss) before amortisation of cost of players' registrations and cost of terminating players' contracts		524	(882)
Amortisation of cost of players' registrations		(586)	(967)
Cost of terminating players' contracts		(123)	(394)
Football League Limited Pension and Life Assurance Scheme contribution shortfall		(117)	(143)
		(302)	(2,386)
Operating loss		(302)	(2,386)
Profit on disposal of players' registrations	2	486	1,072
Profit/(loss) on ordinary activities before interest		184	(1,314)
Net interest payable	4	(595)	(524)
Loss on ordinary activities before taxation	2	(411)	(1,838)
Taxation	6	-	-
Loss on ordinary activities for the year after taxation		(411)	(1,838)
Retained loss for the financial year	20	(411)	(1,838)
Loss per share on ordinary activities			
Basic	8	(0.01)p	(3.70)p

There were no recognised gains or losses other than the loss for the financial year.

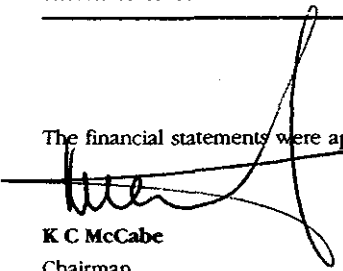
There is no material difference between the historical cost loss and the loss for the financial years shown above.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET at 30 June 2003

	Note	2003 £000	2002 £000
Fixed assets			
Intangible assets	9	483	620
Tangible assets	10	23,441	21,749
		23,924	22,369
Current assets			
Stocks	12	288	128
Debtors	13	1,509	1,064
		1,797	1,192
Creditors: amounts falling due within one year	14	(4,766)	(9,947)
Net current liabilities		(2,969)	(8,755)
Total assets less current liabilities		20,955	13,614
Creditors: amounts falling due after more than one year	15	(6,891)	(4,436)
Deferred income	18	(7,080)	(5,622)
Net assets		6,984	3,556
Capital and reserves			
Called up share capital	19	8,964	4,964
Share premium account	20	13,722	13,883
Merger reserve	20	3,018	3,018
Profit and loss account	20	(18,720)	(18,309)
Shareholders' funds	21	6,984	3,556

The financial statements were approved by the Board of directors on 15 October 2003.


K C McCabe
 Chairman

The accompanying notes form an integral part of these financial statements.

COMPANY BALANCE SHEET at 30 June 2003

	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	10	513	603
Investments	11	6,979	2,609
		7,492	3,212
Current assets			
Debtors	13	12,702	5,144
Cash at bank and in hand		440	4,146
		13,142	9,290
Creditors: amounts falling due within one year	14	(3,916)	(4,091)
Net current assets		9,226	5,199
Total assets less current liabilities		16,718	8,411
Creditors: amounts falling due after more than one year	15	(5,542)	(2,900)
Net assets		11,176	5,511
Capital and reserves			
Called up share capital	19	8,964	4,964
Share premium account	20	13,722	13,883
Merger reserve	20	8,186	8,186
Profit and loss account	20	(19,696)	(21,522)
		11,176	5,511

The financial statements were approved by the Board of directors on 15 October 2003.


K C McCabe
Chairman

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2003

	Note	2003 £000	2002 £000
Net cash outflow from operating activities	22	(997)	(344)
Returns on investments and servicing of finance			
Interest paid		(570)	(472)
Interest element of finance lease payments		(25)	(52)
Net cash outflow from returns on investments and servicing of finance		(595)	(524)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(2,314)	(1,798)
Payments to acquire player registrations		(449)	(672)
Proceeds from disposal of player registrations		486	1,100
Net cash outflow from capital expenditure and financial investment		(2,277)	(1,370)
Net cash outflow before financing		(3,869)	(2,238)
Financing			
Issue of ordinary share capital		3,839	-
Capital element of finance lease payments		(475)	(482)
Repayment of other financial liabilities		(662)	(4,818)
Repayment of bank borrowings		(9,759)	-
Receipts from bank borrowings		10,064	7,102
Receipts from other borrowings		85	-
Receipts from grants		827	-
Net cash inflow from financing		3,919	1,802
Increase/(decrease) in cash	23	50	(436)

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003**1 ACCOUNTING POLICIES****BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the group are set out below. The policies have remained unchanged from the previous year.

BASIS OF CONSOLIDATION

The consolidated balance sheet and profit and loss account include the accounts of the company and its subsidiaries made up to 30 June. All intra-group trading has been eliminated.

The consolidated financial statements have been prepared in accordance with the principles of acquisition accounting, consequently the results of the subsidiaries have been included only from the date of acquisition or to the date of disposal.

MERGER RESERVE

Where the conditions for merger relief are applicable, the premium on shares issued as consideration for an acquisition is credited to the merger reserve in the company.

GOODWILL

As a matter of accounting policy, purchased goodwill first accounted for in accounting periods ending before 23 December 1998, the implementation of FRS 10 'Goodwill and Intangible Assets', was eliminated from the financial statements by immediate write-off on acquisition against reserves. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates. No acquisitions have been made during the year.

TURNOVER

Turnover represents the invoiced amount of goods sold and services provided by the group (stated net of value added tax). Season ticket and sponsorship income received prior to the year end in respect of the following football season is treated as deferred income.

TRANSFER FEES PAID FOR PLAYER REGISTRATIONS

The costs of acquired player registrations, including agents' fees, are capitalised as intangible assets and amortised over the period of the players' contracts, with appropriate adjustments for any diminutions in value assessed to have taken place.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Finance costs on fixed asset additions are capitalised during the period of construction and written off as part of the total cost. No depreciation is charged during the period of construction.

Depreciation on short leasehold properties is provided on a straight line basis to write off the assets over the period of the relevant leases.

Depreciation on other tangible fixed assets is provided at the rates indicated below, to write off the cost or valuation of the assets, less estimated residual value, over their expected working lives.

Freehold buildings	2% straight line basis
Fixtures, plant and equipment	20%-25% straight line basis
Motor vehicles	25% straight line basis

Following the implementation of FRS 15 'Tangible Fixed Assets' the group has adopted a policy of not revaluing fixed assets. The carrying amounts of tangible fixed assets previously revalued have been retained at their book amount in accordance with the transitional provisions of FRS 15.

STOCK

Finished goods and goods for resale are stated at the lower of cost or net realisable value.

GRANTS

Grants received in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful economic lives of the relevant assets.

DONATIONS

Donations received from the various independently run development funds and other sources are of a revenue nature and are treated as other operating income. They are credited to the profit and loss account in the year in which the donations are received.

DEFERRED TAX

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003**1 ACCOUNTING POLICIES (continued)**

Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

LEASING AND HIRE PURCHASE CONTRACTS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

PENSIONS

The group operates defined contribution schemes for certain of its employees. The group funds its pension liabilities through externally managed pension schemes. Contributions are charged against operating profits in the year in which payments are due.

Certain employees of the group are members of the Football League defined contribution schemes, the assets of which are held separately from the group in independently administered funds. Contributions are charged against operating profits in the year in which payments are due.

2 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

All of the turnover and the loss on ordinary activities before taxation originate in the United Kingdom and are analysed as follows:

	2003	2002		
	£000	£000		
Turnover				
Professional football activities:				
Gate receipts	5,466	2,641		
Television income	2,515	4,007		
Sponsorship, royalties, merchandising and advertising income	3,339	2,029		
Conference and banqueting income	920	854		
	12,240	9,531		
Soccer royalty income, corporate hospitality and stewarding	227	242		
Business centre income	532	268		
	12,999	10,041		
	Loss			
	before player	Player	2003	2002
	sales	sales	Total	Total
	£000	£000	£000	£000
Loss before taxation				
Professional football activities	(88)	486	398	(808)
Soccer royalty income, corporate hospitality and stewarding	(127)	–	(127)	(142)
Business centre	(5)	–	(5)	(161)
Parent company	(82)	–	(82)	(203)
	(302)	486	184	(1,314)
Net interest payable			(595)	(524)
			(411)	(1,838)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003

2 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

	2003 £000	2002 £000
Net assets		
Professional football activities	15,112	12,945
Business centre	75	41
Parent company	658	228
	15,845	13,214
Net debt	(8,861)	(9,658)
	6,984	3,556

	2003 £000	2002 £000
The loss on ordinary activities is stated after:		
Auditors' remuneration - audit services	34	32
Auditors' remuneration - non-audit services	44	61
Amortisation of players' registrations	586	967
Depreciation of owned assets	602	453
Depreciation of assets held under finance leases and hire purchase contracts	16	251
Hire of equipment - operating leases	11	20

	2003 £000	2002 £000
Analysis of administrative expenses:		
Amortisation of players' registrations	586	967
Administration salaries and wages	1,206	1,391
Cost of terminating staff contracts	27	63
Cost of terminating players' contracts	123	394
Player related administration including agents' fees	62	193
Depreciation	522	368
Repairs, renewals and maintenance	139	212
Legal and professional fees	157	405
Printing, postage and stationery	154	176
Insurance	164	137
Rates	148	116
Heat, light and power	137	127
Training ground costs	94	59
Charitable donation	4	1
Telephone and communication	40	98
Football League Limited Pension and Life Assurance Scheme shortfall contribution	117	143
Image contract costs	144	144
Bank charges	97	87
Computer expenses	46	89
Other expenses	397	445
	4,364	5,615

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003

3 OTHER OPERATING INCOME	2003	2002
	£000	£000
Other operating income is made up as follows:		
Donations from development funds	389	389
Business centre revenue grants	-	29
	389	418

4 NET INTEREST PAYABLE	2003	2002
	£000	£000
Bank overdraft and loans	562	460
Finance lease interest	25	52
Other interest	8	12
	595	524

5 STAFF COSTS	2003	2002
	£000	£000
Staff costs during the year were as follows:		
Wages and salaries	7,438	6,505
Social security costs	734	591
Pension costs	42	47
	8,214	7,143

The average number of employees during the year was as follows:	Number	Number
Office and management	58	53
Selling, marketing and distribution	19	19
Professional football activities	86	75
Stewarding and banqueting	62	60
	225	207

Directors' emoluments, directors' pension details and directors' share options are shown in the report on remuneration on page 19.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003**6 TAXATION**

No provision has been made for deferred taxation on trading losses carried forward. The total amount unprovided for is approximately £3,800,000 (2002: £3,740,000). At present it is not envisaged that future taxable profits will be sufficient for these timing differences to reverse.

Unrelieved tax losses of approximately £20 million remain available to offset against future taxable profits.

No provision has been made for deferred taxation on accelerated capital allowances and other short term differences carried forward. The total asset unprovided for is approximately £172,000 (2002: £172,000). At present it is not envisaged that future taxable profits will be sufficient for the timing differences to reverse.

The tax credit is explained as follows:

	2003	2002
	£000	£000
Loss on ordinary activities before tax	(411)	(1,838)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2002: 19%)	(78)	(349)
Effect of:		
Expenses not deductible for tax purposes	130	125
Capitalised interest deductible for tax purposes	(12)	-
Deductions allowable for tax purposes	(114)	(65)
Depreciation for the period in excess of capital allowances	(11)	67
Short term timing differences	3	2
Utilisation of tax losses	(6)	-
Unused tax losses carried forward	88	220
	-	-

7 LOSS FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group loss for the year includes a profit of £1,826,000 (2002: loss £4,050,000) which is dealt with in the financial statements of the company.

8 LOSS PER SHARE

The calculation of loss per share is based on the loss on ordinary activities after taxation of £411,000 (2002: £1,838,000) divided by 52,811,703 (2002: 49,633,201) shares being the weighted average number of shares in issue during the year.

None of the share options or contingent shares were considered to be dilutive at either 30 June 2003 or 30 June 2002.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003

9 INTANGIBLE FIXED ASSETS

Transfer fees paid for players' registrations

Group	£000
Cost	
At 1 July 2002	1,933
Additions	449
Disposals	(521)
At 30 June 2003	1,861
Amortisation	
At 1 July 2002	1,313
Amortisation in year	586
Released on disposal	(521)
At 30 June 2003	1,378
Net book amount	
At 30 June 2003	483
At 30 June 2002	620

10 TANGIBLE FIXED ASSETS

Group	Freehold and long leasehold land and buildings	Assets in the course of con- struction	Fixtures, plant and equipment	Motor vehicles	Total
Cost	£000	£000	£000	£000	£000
At 1 July 2002	20,779	1,339	2,506	144	24,768
Additions	2,250	-	63	1	2,314
Disposals	-	-	(1,173)	(23)	(1,196)
Reclassifications	1,339	(1,339)	-	-	-
At 30 June 2003	24,368	-	1,396	122	25,886
Depreciation					
At 1 July 2002	867	-	2,069	83	3,019
On disposals	-	-	(1,172)	(20)	(1,192)
Provided during the year	348	-	247	23	618
At 30 June 2003	1,215	-	1,144	86	2,445
Net book amount					
At 30 June 2003	23,153	-	252	36	23,441
At 30 June 2002	19,912	1,339	437	61	21,749

The total amount of finance costs included in the cost of tangible fixed assets is £239,000 (2002: £99,000).

The total amount of finance cost capitalised in the year was £140,000 (2002: £23,000). The rate used was the rate applied to specific borrowings used to part finance the asset and general borrowings of the group. The rates used were between 5.8% and 9.0%.

Assets in the course of construction at 30 June 2002 relate to the Academy.

The net book amount of assets held under finance leases and hire purchase contracts was as follows:

	2003	2002
	£000	£000
Fixtures, plant and equipment	175	310
Motor vehicles	14	49
Freehold and long leasehold land and buildings	1,704	1,741
	1,893	2,100

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003

10 TANGIBLE FIXED ASSETS (continued)

Company	Freehold land and buildings	Fixtures, plant and equipment	Motor vehicles	Total
Cost	£000	£000	£000	£000
At 1 July 2002	515	421	23	959
Disposals	-	-	(23)	(23)
At 30 June 2003	515	421	-	936
Depreciation				
At 1 July 2002	8	328	20	356
Provided during the year	4	83	-	87
On disposals	-	-	(20)	(20)
At 30 June 2003	12	411	-	423
Net book amount				
At 30 June 2003	503	10	-	513
At 30 June 2002	507	93	3	603

The net book amount includes £7,000 (2002: £89,000) in respect of assets held under finance leases and hire purchase contracts.

11 INVESTMENTS

Company	£000
Shares in subsidiary undertakings	
Cost at 1 July 2002 and 30 June 2003	10,459
Amounts written off	
At 1 July 2002	7,850
Reversal of previous impairment	(4,370)
At 30 June 2003	3,480
Net book amount	
At 30 June 2003	6,979
At 30 June 2002	2,609

The principal subsidiaries of the group were as follows:

Name of company	Class of share capital held	Proportion held	Nature of business
The Sheffield United Football Club Limited	Ordinary	100%	Professional football club
Blades Catering Limited	Ordinary	100%	Conference and banqueting
Bobby Charlton International Limited	Ordinary	100%	Royalty income
Cranbourne Limited (trading as Taylor Made Sports)	Ordinary	100%	Corporate hospitality
Premier Sports Services Limited (trading as Major Event Security Services)	Ordinary	100%	Stewarding
Sheffield United (Enterprises) Limited (trading as Forsyth at Blades Enterprise Centre)	Ordinary	100%	Business centre

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003**12 STOCKS**

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Finished goods and goods for resale	288	128	-	-

13 DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Trade debtors	516	563	-	-
Prepayments and accrued income	760	377	3	22
Other debtors	233	124	22	21
Amounts owed by group undertakings	-	-	12,677	5,101
	1,509	1,064	12,702	5,144

Included in the above are the following amounts which are due after more than one year:

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Amounts owed by group undertakings	-	-	12,677	4,893

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank overdrafts and loans	1,962	4,121	2,490	2,599
Other loans	120	610	-	500
Trade creditors	814	2,976	196	174
Amounts owed to group undertakings	-	-	1,106	479
Other taxes and social security costs	882	376	5	4
Other creditors	241	417	-	29
Accruals	663	956	119	201
Hire purchase and finance lease contracts	84	491	-	105
	4,766	9,947	3,916	4,091

The bank facilities are secured by fixed charge over the freehold interest in the Bramall Lane Stadium, fixed charge over the freehold property at Shirecliffe Road, and debentures over the assets of certain group companies.

Undrawn committed borrowing facilities at 30 June 2003 amounted to nil (2002: nil).

Amounts due under hire purchase and finance lease contracts are secured on the assets to which they relate.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank loans	6,497	4,083	5,542	2,900
Other loans	117	204	-	-
Other creditors	196	-	-	-
Hire purchase and finance lease contracts	81	149	-	-
	6,891	4,436	5,542	2,900

16 BORROWINGS

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
In less than one year or on demand:				
Bank and other borrowings	1,962	4,121	2,490	2,599
Other financial liabilities	120	610	-	500
Finance leases	84	491	-	105
In more than one year but less than two years:				
Bank and other borrowings	718	977	490	749
Other financial liabilities	40	135	-	-
Finance leases	77	77	-	-
In more than two years but less than five years:				
Bank and other borrowings	3,654	2,836	2,970	2,151
Other financial liabilities	77	30	-	-
Finance leases	4	72	-	-
In more than five years:				
Bank and other borrowings	2,125	270	2,082	-
Other financial liabilities	-	39	-	-
	8,861	9,658	8,032	6,104

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003**17 FINANCIAL INSTRUMENTS**

The group uses financial instruments, other than derivatives, comprising borrowings, cash and various items, such as trade debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The main risks arising from the group financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

It is and has been throughout the year under review the group policy that no trading in financial instruments shall be undertaken.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all of the following disclosures.

Interest rate risk

The group finances its operations through a mixture of bank borrowings, other borrowings and finance leases. The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. The group also mixes the duration of its deposits and borrowings to reduce the impact of interest rate fluctuations.

The interest rate exposure of the financial liabilities of the group as at 30 June 2002 was:

	Interest rate		Total £000
	Fixed £000	Floating £000	
2003			
Financial liabilities	165	8,551	8,716
2002			
Financial liabilities	640	8,518	9,158

Financial liabilities amounting to £145,000 at 30 June 2003 (2002: £500,000) were interest free.

The weighted average interest rate of the fixed rate financial liabilities was 7%. The weighted average period was one year.

The benchmark rate for determining interest payments for the floating rate financial liabilities was 4%.

Liquidity risk

The group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The group policy throughout the year has been to ensure continuity of funding. Short term flexibility is achieved by the use of overdraft facilities.

Maturity of financial liabilities

The group financial liabilities analysis at 30 June 2003 is shown in note 16.

Fair values

The fair value of the group's financial instruments is not materially different to book value at 30 June 2003 and 30 June 2002.

18 DEFERRED INCOME

GROUP	2003	2002
	£000	£000
Advance ticket sales	1,765	1,474
Sponsorship, advertising and other income	495	262
Deferred grant income	4,820	3,886
	7,080	5,622

19 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	Number	£000	Number	£000
Ordinary shares of 10p each				
30 June 2003	200,000,000	20,000	89,638,480	8,964
30 June 2002	90,000,000	9,000	49,633,201	4,964

On 3 June 2003 the company issued 40,005,279 additional ordinary shares of 10p each at par as a result of an open offer to shareholders.

Share option scheme

The company operates an employee share option scheme for the benefit of senior employees. During the year no options were granted (2002: None) and no options were exercised (2002: None). During the period options lapsed in respect of 30,000 ordinary shares (2001: 442,587).

The share price at 30 June 2003 was 7.75p and the range during the year was 5p to 12p.

At 30 June 2003 the total number of options outstanding under the current and previous share option schemes was as follows:

Exercisable between	Option price	Number of ordinary shares of 10p each	
		2003	2002
04/05/98 and 04/05/05	40p	-	30,000
21/11/98 and 14/01/04	40p	120,000	120,000
14/01/97 and 14/01/04	40p	180,000	180,000
06/11/02 and 06/11/05	14p	800,000	800,000
		1,100,000	1,130,000

20 SHARE PREMIUM ACCOUNT AND RESERVES

	Profit and loss account	Merger reserve	Share premium
Group	£000	£000	£000
At 1 July 2002	(18,309)	3,018	13,883
Loss for the year	(411)	-	-
Costs of issuing shares	-	-	(161)
At 30 June 2003	(18,720)	3,018	13,722

Goodwill, written off against reserves on the acquisition of businesses cumulatively amounts to £2,513,000 (2002: £2,513,000).

	Profit and loss account	Merger reserve	Share premium
Company	£000	£000	£000
At 1 July 2002	(21,522)	8,186	13,883
Profit for the year	1,826	-	-
Costs of issuing shares	-	-	(161)
At 30 June 2003	(19,696)	8,186	13,722

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£000	£000
Proceeds from issue of shares	4,000	–
Costs of issuing shares	(161)	–
Loss for the year	(411)	(1,838)
Shareholders' funds at 30 June 2002	3,556	5,394
Shareholders' funds at 30 June 2003	6,984	3,556

22 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£000	£000
Operating loss	(302)	(2,386)
Depreciation	618	704
Loss on disposal of fixed assets	4	–
Amortisation of players' registrations	586	967
(Increase)/decrease in stocks	(160)	54
(Increase)/decrease in debtors	(445)	535
(Decrease)/increase in creditors	(1,929)	388
Increase/(decrease) in deferred income	631	(606)
Net cash outflow from operating activities	(997)	(344)

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003	2002
	£000	£000
Increase/(decrease) in cash in the period	50	(436)
Cash inflow/(outflow) from change in debt and lease financing	747	(1,802)
Changes in net debt resulting from cashflows	797	(2,238)
Inception of finance leases	–	(232)
Movement in net debt in the period	797	(2,470)
Net debt at 1 July 2002	(9,658)	(7,188)
Net debt at 30 June 2003	(8,861)	(9,658)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003**24 ANALYSIS OF CHANGES IN NET DEBT**

	At 1 July 2002 £000	Cash flow £000	Non-cash items £000	At 30 June 2003 £000
Bank overdrafts	(1,294)	50	-	(1,244)
Debt due within 1 year	(3,437)	2,599	-	(838)
Debt due after 1 year	(4,287)	(2,327)	-	(6,614)
Finance leases	(640)	475	-	(165)
Total	(9,658)	797	-	(8,861)

During the year the group did not enter into finance lease arrangements in respect of any assets.

25 CAPITAL COMMITMENTS

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Contracted for but not provided in these financial statements	-	1,862	-	-

The commitments at 30 June 2002 related to the Club's football academy.

26 CONTINGENT ASSETS AND LIABILITIES

At 30 June 2003 the company has given a guarantee to secure borrowings from Bank of Scotland to its wholly owned subsidiaries for £1,182,000.

At 30 June 2002 the company and its wholly owned subsidiaries had given joint and several guarantees to secure all borrowings from HSBC Bank plc. At 30 June 2002, the company had a joint and several liability of £8,690,000 under these arrangements.

The group was entitled to receive certain amounts from other football clubs in respect of deferred transfer fees. This amounted to nil at 30 June 2003 (2002: £500,000).

27 PENSION COMMITMENTS

Contributions are made to defined contribution pension arrangements for certain employees of the group. The contributions are charged against the profit and loss account in the year in which they become payable.

The assets of the pension schemes are held separately from those of the group in independently administered funds.

Contributions charged to the profit and loss account during the period excluding the contribution towards the shortfall noted on page 21, amounted to £42,000 (2002: £47,000).

28 COMMITMENTS UNDER OPERATING LEASES

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

	2003 Other £000	2002 Other £000
Group		
Leases expiring within one year	4	7
Leases expiring within two to five years	3	1
Leases expiring after five years	1	1
	8	9

29 DEFERRED SIGNING-ON AND TRANSFER FEES PAYABLE

Commitments in respect of deferred signing-on fees due to players under contract at the year end and not provided in the financial statements amounted to £88,000 (2002: £185,000). Such fees are charged to the profit and loss account in the period in which they are paid.

Under the terms of certain contracts with other football clubs in respect of player transfers, certain additional amounts would be payable by the group if conditions as to future team selection or performance are met. The maximum that could be payable is £250,000 (2002: £175,000).

30 RELATED PARTY TRANSACTIONS

During the year the group purchased goods and services from companies in which certain directors held interests. During the year the group sold services to directors or companies in which certain directors held interests. The transactions were all undertaken on an arms length basis. The transactions were not considered to be material to either the group or the related parties, except as disclosed below.

The company had borrowings of £1,650,000 with HSBC Bank plc up to August 2002. The repayment of these loans was guaranteed by Mr M D Dudley, Mr A J Laver and Scarborough Property Group plc, a company in which Mr K C McCabe has a controlling interest. From August 2002 to June 2003 the company had borrowings of £3,067,750 with Bank of Scotland. These loans were guaranteed by Mr M D Dudley, Mr A J Laver, Mr A M Bamford and Scarborough Property Group plc, a company in which Mr K C McCabe has a controlling interest. These loans were repaid by the company in June 2003 and the guarantees were released.

An amount included within trade creditors at 30 June 2002 of £753,000 which was assigned to Scarborough Property Group plc in July 2002 was repaid in the year.

The group has repaid to Scarborough Property Group the sum of £350,000 borrowed by the group in the year ended 30 June 2002. Of the £170,000 borrowed from Mr M D Dudley in the year ended 30 June 2002, the group has repaid £150,000. The amount of £20,000, which is interest free and unsecured, remains outstanding to Mr M D Dudley.

On 24 May 2002, Scarborough Property Group plc agreed to provide up to £1,500,000 to the group in the form of unsecured loan stock notes carrying interest at 4% per annum over the base rate from time to time of the Bank of Scotland. The condition to the drawdown of £1,000,000 of this facility can no longer be satisfied. By a letter of variation dated 30 April 2003 Scarborough Property Group plc has agreed that unless the Club is promoted to the Premier League, the facility is extended to enable £500,000 to be drawn down to the extent that loan monies expected to be received from the Football League are not received and a further £500,000 to be drawn down to the extent that income from player sales is less than forecast. These loan notes had not been received as at 30 June 2003.

31 SHAREHOLDER INFORMATION

Shareholders who have questions relating to the group's business should contact the Company Secretary at Bramall Lane, Sheffield S2 4SU. Administrative enquiries concerning shareholdings such as the loss of a share certificate or a change of address should be directed to the Company's registrars whose address is on page 14 of this annual report.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifty-ninth Annual General Meeting of Sheffield United plc will be held in the Platinum Suite at Bramall Lane, Sheffield S2 4SU on 1 December 2003 at 11.30 a.m. for the following purposes:

Ordinary business

1. To receive and consider the financial statements for the year ended 30 June 2003 and the reports of the directors and auditors thereon.
2. To elect M T Fenoughty as a director, who was appointed since the last Annual General Meeting.
3. To re-elect M D Dudley as a director, who retires by rotation.
4. To re-appoint Grant Thornton as auditors and to authorise the directors to fix their remuneration.

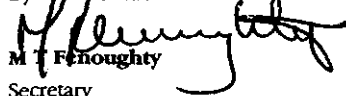
Special business

To consider and, if thought fit, pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolution 6 will be proposed as a special resolution:

5. That the directors be and are hereby authorised, generally and unconditionally, for the purpose of Section 80 of the Companies Act 1985 (the Act) to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £2,987,949, provided that this authority shall expire at the commencement of the Annual General Meeting held next after the passing of this resolution or the date falling 15 months after the date of passing of this resolution (whichever is the earliest) but so that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority hereby conferred had not so expired.
6. That the directors be and are hereby empowered, pursuant to Section 95 (1) of the Act, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred upon them by the resolution numbered 5 in this notice of meeting (as varied from time to time by the company in general meeting) as if Section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to:
 - (i) the allotment of equity securities in connection with rights issues and other offers in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems arising under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange; and
 - (ii) the allotment (otherwise than pursuant to paragraph (i) above) of equity securities up to an aggregate nominal amount of £448,192;

and shall expire at the commencement of the next Annual General Meeting of the company or the date falling 15 months after the date of passing of this resolution (whichever is the earliest), unless renewed or extended prior to such time, except that the company may, before the expiry of the power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board


M T Fenoughty
Secretary

15 October 2003

Registered Office:

Bramall Lane
Sheffield
S2 4SU

Notes

1. A member entitled to attend and vote at the above meeting may appoint another person as his/her proxy to attend and on a poll vote in his stead. A proxy need not be a member of the company. A form of proxy is enclosed with this report.
2. The instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Registrars of the company not later than forty-eight hours before the time appointed for holding the above meeting or any adjournment thereof.
3. Copies of all directors' service contracts are available for inspection at the company's Registered Office during normal business hours on each business day from the date of this notice until 30 November 2003 and will be available for inspection at the Annual General Meeting from fifteen minutes prior to the meeting until its conclusion.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered at 11.30 a.m. on 29 November 2003 will be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. Subsequent changes to the register will be disregarded in determining the right of any person to attend and vote at the meeting.

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