SHEFFIELD UNITED PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2002

Company no 396956

report and accounts

2002

Contents

SHEFFIELD UNITED PLC annual report 2002

Our Aims and Strategy

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; and
- satisfy shareholders and supporters as best we can.

Directors, Officers and Advisers

Company registration number:	396956
Registered Office:	Bramall Lane SHEFFIELD S2 4SU
Directors:	Kevin McCabe Alan Bamford Derek Dooley Michael Dudley Andrew Laver ACA
Secretary:	Michael Manning FCA
Bankers:	HSBC Bank plc 17 Church Street SHEFFIELD S1 1HH
	Halifax Bank of Scotland Head Office The Mound EDINBURGH EH1 1YZ
Solicitors:	DLA Fountain Precinct Balm Green SHEFFIELD S1 1RZ
	Benson Clegg 32 Wilkinson Street SHEFFIELD S10 2GB
Auditors:	Grant Thornton 28 Kenwood Park Road SHEFFIELD S7 1NG
Stockbrokers:	KBC Peel Hunt Ltd 62 Threadneedle Street LONDON EC2R 8HP
Registrars:	Northern Registrars Limited Northern House Woodsome Park Fenay Bridge HUDDERSFIELD HD8 0LA
Public Relations:	Hurndall Ross Media Unit 311 The Workstation 15 Paternoster Row SHEFFIELD S1 2BX

Chairman's Statement

It is heartening to report that in spite of the severe financial difficulties confronting the football industry, coupled with the Board's disappointment on the rejection of the planned capital reorganisation, nonetheless our company has continued to advance its activities both on and off the field of play.

Regrettably results for the year produced losses amounting to £1.8 million (2001: £0.4 million), principally arising due to the decline in player sales within the period.

The highlights of the company's expanding activities encompass:

Blades Enterprise Centre

Since the Centre was formally opened in September 2001, the dedicated management team has worked impressively in securing customers for the utilisation of some 22,000 sq ft of space sub divided into sixty four separate office suites and ancillary meeting rooms. In October of this year occupancy exceeded 90% from a variety of small and medium size enterprises and it is expected that the Centre will prove to be a useful profit maker in the future as we **"build a business"**. The Company also benefits by the increase in the value of our real estate interests at Bramall Lane.

Sheffield United is the first professional football club to incorporate serviced office accommodation within its Stadium, albeit Blades Enterprise Centre has now become a prototype for other organisations both north and south of the border to copy.

The Academy

Thanks to the splendid efforts of the construction team, we were able to effect a first phase opening of our Academy at Shirecliffe Road by 30 August 2002, thus complying with the stringent requirements of The Football Association. It is amazing to realise that for the first time in the history of Sheffield United, we at long last own our own freehold training facilities incorporating five grass pitches, an outdoor floodlit synthetic surface, indoor playing arena, gymnasium, changing rooms, educational space and support service areas.

Anyone who visits the Academy cannot fail to be impressed by the scale and quality of the facilities that the Club is providing in pursuit of nurturing home grown youngsters at all levels, to feed through to the first team squad. Investment in youth development is vitally important for our long term future and at Sheffield United we are in the process of providing some of the finest Academy facilities in the North of England, which will greatly assist us in attracting and coaching talented young players.

The official opening of the Academy is scheduled for the first week in December by which time all of the construction operations should have been concluded.

Many clubs who were initially afforded Academy status have been unable to comply with the specification and time schedules imposed by The Football Association. Thankfully, Sheffield United has kept pace with the obligations and therefore our youngsters are able to compete with their counterparts at the highest level.

We encourage supporters and shareholders to visit the Shirecliffe Road premises, as they will be impressed by the wide range of the Academy's facilities as well as watching young Blades in action.

Chairman's Statement

Kop Corner and Community Centre

Mid 2001 saw the opening of our new Kop Corner infilling the difficult tract of land situated between the John Street and Shoreham Street Stands. The additional seating takes our Bramall Lane Stadium to a crowd capacity exceeding 31,000 persons and whilst there are plans to improve facilities, already we have a Stadium fit for the Premiership.

As part of the Kop Corner design proposals, we were able to integrate at ground level offices and meeting rooms for The Sharrow Partnership cementing our strong links with the Sharrow community of which we are justifiably proud. The Club does recognise the importance it has towards the well being of local residents and makes every effort to foster this relationship.

Hall of Fame

All supporters and shareholders must be delighted with the design, fit out and memorabilia incorporated within the Hall of Fame.

There is only a handful of football organisations who have taken time out to reflect on the roots and history of their club and Sheffield United is proud to be one of the few. Much credit passes to colleagues at Bramall Lane for their unstinting desire and commitment applied for the Hall of Fame to evolve.

Since its opening in December 2001, our Hall of Fame has already established itself as a popular visitor attraction during the week and on match days.

Hotel and Leisure Centre

Whilst heads of terms were exchanged with our intended hotelier earlier this year, unfortunately it has been unable to satisfy both the Club and our financier with a suitable covenant status to comply with the obligations of a long term lease. However we are in discussions with a prospective new operator and remain determined to see the development of a "Blades Hotel" in the coming years. Once satisfactory terms have been negotiated with an appropriate hotelier, the company would procure a separate bank facility, ensuring that this element of business does not rely upon achieving player sales or impinge on our football activities.

When this phase of Blades Leisure Park is developed, at the same time the corner between Bramall Lane and South Stand will be infilled, again increasing further our Stadium's overall spectator capacity.

Football

Sheffield United's senior football squad finished 13th in Division One last season. Whilst at various intervals our team showed signs of climbing the table and challenging for a play-off position, the combination of too many draws, injuries and suspensions led to a somewhat disappointing final position. However the expiry of certain players' contracts, allowed Neil Warnock and his coaching staff to sensibly overhaul their playing resources and during the close season new players were recruited.

Our squad now has an interesting mix of experience and youth in what is undoubtedly a stronger group of players. Whilst of necessity we continue to apply our efforts in re-structuring the annual football costs in line with the Club's revenue - ever reducing due to the substantial loss of television income - nevertheless there is a mood of optimism around Bramall Lane that this current season may see us more successful on the field of play.

Members must be delighted to see a good number of our home grown youngsters becoming established players in the first team. This surely vindicates the Board's commitment to invest in the Academy and youth development.

Our junior teams have all performed admirably and already during this present season the Under 17's and 19's have achieved top class results beating their counterparts at Sunderland F.C., Manchester United F.C. and others.

The Board is committed to creating a modern day professional football club, as for too long Sheffield United – for a variety of reasons – has lagged behind so many of its competitors. Slowly but surely we are shaking off the time warp of the past and applying skills to **"building a business"** with the intention of establishing increased revenues to assist the financing of our core activity, namely top line and entertaining football at Bramall Lane.

FINANCING

The rejection by shareholders at the Extraordinary General Meeting (EGM) held in June 2002 of proposals for a capital and financial reorganisation of the Parent Company was a major setback. It should be recognised that prior to embarking upon these proposals, the Company's principal outside shareholders were consulted and confirmed their support for taking the Club forward both in raising new capital and the implementation of an Academy. Press statements prior to the EGM and allegedly issued by a group of shareholders attempted to accuse the Directors of "buying the Club on the cheap" and "individuals wishing to control the Club".

Members should be under no illusion, the Directors who were supporting the capital reorganisation have only the best interests of Sheffield United in mind as part of their **"planning for the future"**. Indeed a Parent Company Board Minute was signed well prior to the EGM clearly confirming that no individual Director has any desire to "gain control" and that were this event to occur as a result of the reorganisation, then there would be an intention to appropriately reduce the shareholding within a sensible period of time.

In any event, the Directors propose once more to put to shareholders, at the forthcoming AGM, resolutions designed to reduce the capital of the Company by creating and then cancelling a new class of deferred shares, and reducing or cancelling the Company's share premium account. These proposals were effectively withdrawn when the earlier resolutions were rejected, but the Directors believe the issues are separate, stand alone, and should be reconsidered.

Subsequent to the EGM, the Company has transferred its banking arrangements from HSBC Bank to Halifax Bank of Scotland in the form of term loans, a mezzanine loan and a revolving credit facility. We believe that our link-up with one of the UK's most creative and supportive banks will prove to be of great benefit to Sheffield United in the years ahead.

The new facilities total £13.5 million of which a substantial sum is supported by cash lodged by the Directors. It is highly unusual for a quoted company to have a combined facility incorporating conventional bank loans coupled with Directors' funds and therefore the Board is firmly of the view that a capital reorganisation remains of vital importance permitting our Balance Sheet to be strengthened by the injection of new equity alongside overall borrowings being sensibly reduced.

The Board is concerned that the Parent Company's share price remains at a low level. Quoted small capitalised corporations, and particularly those whose core business is professional football, are not perceived as an attractive institutional investment and this is reflected with the downturn in values occurring over the last few years. The Board has concluded that, in the view of the market capitalisation of the Parent Company, a transfer of its quotation from the Official List of the UK Listing Authority to the Alternative Investment Market (AIM) of the London Stock Exchange would be in the best interests of shareholders. The more flexible rules which apply to companies whose shares are traded on AIM will be appropriate and it is anticipated that savings should arise in the costs of undertaking corporate transactions and administration. We expect to transfer to AIM in December 2002.

As shareholders will be aware, the football industry is experiencing traumatic times in the main arising as a result of:

- **The collapse of ITV Digital and its failure to honour the Football League Contract**

  Sheffield United has lost broadcasting income of over £2 million per season, coupled with the indirect consequences in revenue from advertising boards, corporate sponsors and the like reducing.

- **Increasing annual player salary costs**

  In line with many other clubs, Sheffield United has been working on reducing player wages and this trend simply needs to continue, given the substantial decline in the Company's revenue as a result of the loss of TV income.

- **The slow down in player sales and purchases arising from the effect of the Bosman ruling implemented in the mid 1990's and more recently the transfer window periods introduced by FIFA**

  No longer will clubs be able to rely upon the regular transfer of footballers to support annual revenue. Logic indicates that only a few quality young players will command transfer fees of any magnitude in this changing climate.

It would be futile for clubs to ignore these serious financial issues and, at Sheffield United, we are doing our utmost to cope with their effect, whilst at the same time progressing in ***"building a business"*** *on and off the field of play.* We can only stress again to shareholders the sensible need to raise new capital by utilising resources currently available from Directors.

By choice the Board would wish to retain all of our talented young players, however given the difficulties presently affecting the industry of football, together with the failure to implement the capital reorganisation, this desire has to be balanced with realism. If suitable transfer opportunities arise involving player sales, then they will have to be fully and properly considered.

BOARD CHANGES

During the year we were pleased to welcome Alan Bamford to the Board of our Parent Company in an executive capacity. Alan has a senior role overseeing management duties at Bramall Lane coupled with utilising his construction expertise on the various Stadium improvements and the ongoing works at the Academy.

Our long standing colleague Bernard Procter retired as Chairman in January and I would personally like to thank him for his sterling work and efforts on behalf of Sheffield United over a long period. It is particularly pleasing to report that Bernard has accepted the position as President of the Football Club.

I am proud to have been Chairman since Bernard's retirement but intend to hand over this important role at an appropriate time in the near future. The Directors and I share the view that the elected leader of the Parent Company Board should, if possible, be based in the South

Chairman's Statement

Yorkshire area and thus be more accessible to both Bramall Lane and the Academy, as well as on hand to attend a variety of Club meetings, functions and events. Regrettably my home base is some distance from Sheffield and the time I need to devote to the working week simply does not permit me to be in the city as often as I would like.

The Board of The Sheffield United Football Club Limited (SUFC) has been strengthened with the appointment of Terry Robinson as its lead executive together with Sean Bean, Chris Steer and Steve Slinn who have all joined as Non Executive Directors. Amongst the duties carried out by the SUFC Directors is their obligation to improve the Club's communication with its supporters, the community and to be present at events in the city where Sheffield United should be properly represented. Whilst Sean is now based in the South of England, already he has assisted us with the opening of the Hall of Fame and also the first phase celebrations at the Academy. Additionally Sean has been on hand at functions held in London and helped in entertaining prospective sponsors of the Club.

We have recently re-structured the boards of Sheffield United (Enterprises) Limited and Sheffield United Academy Limited with specific individuals taking responsibility for the management of these two important and progressive divisions of the Group.

In the close season we were fortunate to secure Desun, a company based in China, as our new shirt sponsor and look forward to a long and successful association with them. More recently Hallam FM has become sponsor of the Academy and to themselves and all our other customers – corporations or individuals – your continued help and support of Sheffield United is greatly appreciated.

To management and staff employed at Bramall Lane and the Academy, could I express my personal gratitude for your continued dedication. So often in such a high profile industry, we take for granted the consistent efforts of those who work behind the scenes on the day to day business of running a professional football club.

Season 2002/2003 has seen Sheffield United off to a promising start and if current form is progressed, then April of next year should see us with a realistic chance of returning to the Premiership. Our one disappointment is the reduction - compared to last season - of spectators attending home league matches. Supporters are the back bone and life blood of our Club and we need as many fans as possible to watch the first team at Bramall Lane as they strive in their efforts to succeed.

Finally I sincerely thank all our shareholders and supporters, and reassure you that the Board remains committed to achieve the right results for Sheffield United.

Up the Blades!

Kevin McCabe
Chairman

24 October 2002

Operating Review

Introduction

During the financial year, and subsequently, the company has strengthened its control over operating expenses, particularly in respect of the annual player wages. Within the current fiscal period further reductions in overall costs will be sought in order to partially compensate for the loss of revenue – amounting to in excess of £4m within the next two seasons - arising principally from the collapse of ITV Digital.

However, in spite of these financial predicaments, the company has pressed ahead in "building a business" demonstrated in many ways and none more so than via the development of our Academy at Shirecliffe Road, Sheffield.

Football

Prior to completion of playing season 2001/2002, the Club embarked upon a comprehensive overview of the financial costs associated with the first team squad playing personnel. The need to implement change became ever more critical following the demise of ITV Digital and with it the consequential loss of previously contracted and budgeted broadcasting income.

Our efforts to reduce player costs have been assisted via Sheffield United's success in developing younger players – facilitated by the Team Manager's planned selection of them for first team duties – and at the same time has enabled a strong squad to gain valuable experience.

The strategy of blending home grown youngsters with experienced players appears to be paying dividends with the progress made thus far in season 2002/2003.

The balance of our internally developed youth footballers with the addition of promising younger new recruits such as Paddy Kenny and Laurens Ten Heuvel, augmented by a number of experienced professionals, has resulted in a well-balanced first team squad and with it a much improved financial profile.

Our policy will continue with youth development as a key priority.

The Academy

Since being granted Academy Status by the Football Association in June 2001, the Club has developed its Academy in line with the demanding specification and timetable of works. By early December, all of the training and educational facilities provided within our freehold twenty-two acre site at Shirecliffe Road, Sheffield will have been completed, coincidental with the management resources in place to operate one of the finest academies in the North of England.

We believe that our high quality youth development structure will make Sheffield United an attractive club for the recruitment of talented youngsters be it those based in the South Yorkshire area, other parts of the UK or abroad, who can then be nurtured in order to produce first team players on a consistent basis.

Season 2001/2002 saw five players from the youth programme feature regularly in the first team squad, namely Ben Doane, Phil Jagielka, Nick Montgomery, Michael Tonge and Colin Cryan. Additionally, Ryan Mallon and Lewis Killeen made debut appearances and four younger footballers have gained international honours, with Jonathan Forte and Ian Ross representing the England Under 17 team, Tom Lindley the Canadian Under 17 and Under 19 teams and Adrian Harper called up for the Ireland Under 17 squad.

Sheffield United's Under 17 side reached the semi-final of the FA Premier Academy League Cup, defeating Tottenham Hotspur FC 2:1 in the quarter final and having earlier won the group stage which included a side from Liverpool FC. Our narrow 2:3 loss was against the eventual winners of the competition – Newcastle United FC – who overcame Manchester United FC in the final.

The Under 15s competed in the Torino Frigora tournament in Italy, winning all their qualifying games – including victories against the Romanian national team and Udinese – but unfortunately lost in a close fought final to Atalanta.

In this inaugural year, squads of all age groups, from Under 9s to Under 16s and full time trainees at Under 17 and Under 19 levels, played in the Academy games programme and equipped themselves exceptionally well.

Operating Review

Infrastructure and Property

At Bramall Lane, we completed during the year the construction of the Blades Enterprise Centre encompassing the infilling of the small tract of land at John Street corner, alongside the conversion of void areas within the stand into office accommodation. This phase of work also included the creation of Kop Corner built in the difficult area of site between Shoreham Street and John Street.

The Enterprise Centre consists of some 22,000 sq ft of quality office space with a link to Kop Corner providing 700 additional seats for our fine Stadium. Below the Corner there are new community facilities, incorporating a hall and meeting rooms for The Sharrow Partnership.

A tarmacadam surface car park fronting Shoreham Street was completed in January with 105 new spaces now available for use. All these improvements at Bramall Lane provide the Company with further opportunities to generate higher revenue.

Within the South Stand, a void mezzanine floor area was creatively converted to offices for utilisation by our management and staff, relieving space within the John Street Stand to be managed by the Enterprise Centre.

The "aged cricket shed" fronting Cherry Street has more recently been demolished, not only improving the aesthetic value of the land surrounding the Stadium, but also giving the Club another 50 car parking spaces.

Improvements to the John Street/Kop Corner area have recently been concluded with the construction of a new turnstile block designed in line with the necessary safety requirements for stadiums.

Construction activity on our Academy buildings at Shirecliffe Road started in September 2001, with final completion on target for November 2002. Costs of the works are being contained within the agreed financial budget and again grant assistance has been procured from The Football Foundation. The Club is establishing excellent working relationships with the Firshill Residents Association and local schools and businesses which, it is intended, will continue in the years ahead with their part use of the Academy facilities.

Blades Enterprise Centre

The principal component of the Centre is the striking tower block situated in the Bramall Lane/John Street corner and overlooking the hallowed turf. Since its official opening by the Minister for Sport – Richard Caborn – in September 2001, occupancy at the Centre has steadily risen and currently stands at over 90%. The objective of the dedicated management is to maintain occupancy at or around these levels alongside increasing revenues per work station and office, partly via the provision of additional services to customers.

Our customers at the Centre comprise an interesting variety of small to medium sized enterprises, some of whom are local to the area and include Competence at Work, Comfort Zone, Hornagold and Hills, Acorn Design, Shelter and Windmill.

The Club's innovative use of small areas of vacant land or void spaces within the existing stands now bears fruit with the expectation that the Centre will provide good profit streams in the coming years.

Broadcasting and Media

Our income for the period under review from Broadcasting and Media amounted to £4,007,000 compared with £946,000 in the previous year.

It should be noted that up to 30 June 2002, receipts included amounts from ITV Digital of approximately £3m. The failure of ITV Digital to honour its obligations has led to the high level of broadcasting income now no longer being paid to Nationwide Football League Clubs and quite obviously has a major impact on the resources available to our Company.

Match Day

Season ticket revenue rose by 13% to £1.1m within the year and Match Day ticket income improved 8% to approximately £1.4m.

Gate revenue from FA and Worthington Cup matches is shared and, with a reduced number of Cup games, this led to a decline of income from £232,000 to £106,000 when compared to the previous season.

Operating Review

Conference and Banqueting

Our Blades Catering Division utilises the Carlsberg, Millennium and Platinum Suites alongside 31 Executive Boxes within the John Street Stand. These extensive facilities assist the Club in ensuring that there is a constant income stream not just reliant upon the football fixture calendar.

Blades Catering offers a range of Match Day hospitality packages for all League and Cup games at Bramall Lane, as well as being the venue for many other events held at all times during the year.

It is pleasing to note that there are often daily meetings and conferences ranging from small groups of ten in an Executive Box to dinners and seminars for three hundred or more in the Platinum Suite, regularly occurring and managed by our Catering Division.

Undoubtedly a key element in the success of Blades Catering is the warm, efficient and friendly service extended to customers so often resulting in return business on a frequent basis alongside the passing on of high recommendations to clients and colleagues.

Sponsorship and Royalties

Supporters will have seen many changes to the commercial scene during the year with the Club's major sponsors now having an international flavour in the guise of a Chinese company, Desun, who manufacture powdered apple juice for marketing and sale on a global basis. Our kit contract is provided by one of the best known brands within the football world, Le Coq Sportif.

For the first time in Sheffield United's history, all of the individual stands at the Bramall Lane Stadium are sponsored and known as "The Arnold Laver Stand" (formerly the South Stand), the "Hallam FM Kop" (formerly the Kop), the "Desun Stand" (formerly the John Street Stand) and the "Gordon Lamb Stand" (formerly the Bramall Lane Stand). We are extremely grateful to these four companies and all the Club's other business partners for their continued support.

The Club has also ventured into the world of travel, hosting the promising Blades Travel. This travel facility offers excellent benefits for all supporters in the Blades Superstore, which in turn has established and enhanced distribution links with local retailers at the Sheffield Co-op, Streetwise Sports and Safeway stores at Meadowhead and Ecclesall Road.

During August 2002, a well attended and successful Open Day was held at the Club, forging further links with supporters and the local community. Additionally, we continue to strengthen relationships with the revitalised Junior Blades and the ever popular Senior Blades organisations.

The Club's fund raising efforts are very much geared towards the development of young players and, in particular, the Academy, now known by its sponsored name of the Hallam FM Academy. It is pleasing to report that the Club's ongoing Superdraw lottery programme has donated over £263,000 to the Hallam FM Academy in the last year.

Also assisting in the funding of the Hallam FM Academy are monies raised from the Blades MasterCard programme and the recently launched Blades Savings Account, which is offered in conjunction with the Yorkshire Building Society.

Retailing

The year ended 30 June 2002 concluded with the departure of the previous kit manufacturers - Patrick, and the introduction of Le Coq Sportif.

Consequently, new home and away kits were launched and met with a great response from supporters. Sales in the 2002-2003 season are showing an upward curve, especially with the Superstore Internet Service being updated, whilst our retail concessions, particularly the new outlet in the city centre, have proved popular.

Future plans include putting Blades' merchandise into additional retail outlets, and further updated positioning on the website to maximise sales of the Le Coq Sportif range.

Hall of Fame

Since Sheffield United F.C. Director - Sean Bean - officially opened the Hall of Fame in December 2001 it has generated over £22,000 within the first six months of trading.

The valuable collection of Sheffield United memorabilia, purchased, donated or loaned from supporters, players and families is increasing, making our Hall of Fame an ever popular visitor attraction.

In addition to providing supporters with an opportunity to view many items relating to the long history of Sheffield United, the Hall of Fame works closely with local school children. Their organised visits can be lively events, and include topics of education incorporated within the current National Curriculum. Football can be contained within social and local history, fitness and health, and players both past and present assist in bringing important issues to youngsters who may even become Blades fans in the future years.

Surplus revenue generated from the Hall of Fame is used to improve and develop the facilities. Sheffield United has received plaudits from many different areas within the world of football and education, with other clubs in The Football League and Premiership seeking our help and advice in forming their own museums.

Security Company

Initially established in August 1999, our security division – Major Event Security Services – has expanded its operations, becoming an important subsidiary of the Company, specialising in the provision of quality event stewarding and security personnel.

Originally formed to service only the matchday requirements of Sheffield United FC and overall security of the Stadium and training facilities, Major Event Security Services has subsequently branched out and now is regularly awarded contracts with a variety of organisations covering a diverse range of events up and down the country.

This year has been our busiest yet, with highlights including the awarding of a contract at Headingley for the 5 day Test Match, the prestigious Southport International Airshow and assistance at many outdoor events headlined by some of the biggest names in the music industry. Our careful growth, over some three years or so, now permits Major Event Security Services to increase its activities in the sports, leisure and music industries.

Information Technology

Sheffield United recognises that modern business effectiveness and efficiency is driven by quality systems. We are in the process of updating and refining the information technology infrastructure, focusing on improving customer relationship and marketing facilities in conjunction with our provider, Carnegie Information Systems.

Conclusion

The Company is making stringent efforts in adapting to the changing circumstances of the football industry.

Despite the setbacks created by a combination of the rejected capital reorganisation, substantial loss of TV income and the restricted transfer market, we have instigated positive measures to take the Club forward. The policy of addressing player wage costs will continue, but with the belief that our youth development strategy will produce a regular flow of young players able to strengthen the first team squad, in order to achieve the aim of promotion back to the Premiership.

Sheffield United is conscious of the commitment it has to shareholders, supporters and the local communities - be it at Bramall Lane or the Academy - and this is demonstrated by activities that we organise through Open Days, involvement in kit designs and the like.

We fully recognise that the unusual business of football depends upon supporters – young and old – who must be encouraged to become Blades for life.

R C McCabe

Report of the Directors

The directors have pleasure in submitting their report, together with the consolidated financial statements of the group for the year ended 30 June 2002.

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 3 to 7 and in the operating review on pages 8 to 11.

Results and dividends
The consolidated profit and loss account is set out on page 24 and shows a loss for the year after taxation of £1,838,000 (2001: £367,000). The directors do not recommend the payment of a dividend.

Post balance sheet events
Restructuring of borrowings
In August 2002, the group's bank borrowing facilities were transferred to Halifax Bank of Scotland. The existing loans and overdrafts previously held with HSBC Bank plc have been replaced by a combination of a term loan, mezzanine loan and a revolving credit facility. This provides the group with bank facilities of:

(i) term loan facilities of up to £10 million
(ii) mezzanine loan facility of up to £1.5 million
(iii) revolving credit facility of up to £2 million

This compares with facilities in place at 30 June 2002 of:

(i) term loan facilities of up to £7.3 million
(ii) revolving credit facility of £1 million

Directors
The present membership of the Board is set out below. All directors served throughout the year except where stated:

	18 October 2002 Ordinary shares 10p each	**30 June 2002 Ordinary shares 10p each**	1 July 2001 (or at date of appointment if later) Ordinary shares 10p each
Beneficially held:			
K C McCabe	415,780	415,780	415,780
A M Bamford (appointed 5 March 2002)	330,000	330,000	330,000
D Dooley	7,170	7,170	7,170
M D Dudley	877,001	877,001	757,001
A J Laver	160,525	160,525	160,525
Non beneficially held:			
K C McCabe	4,531,200	4,531,200	4,351,200
A M Bamford	–	–	–
D Dooley	–	–	–
M D Dudley	–	–	–
A J Laver	506,188	506,188	506,188

The members will be asked to confirm the appointment of A M Bamford at the forthcoming Annual General Meeting.

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

B Procter resigned from the Board on 9 January 2002.

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 of the remuneration committee.

Report of the Directors

Non-executive directors

Michael Douglas Dudley (aged 55) *Non-Executive Director* – is a Sheffield based businessman and director of a number of companies.

Andrew James Laver (aged 36) *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 54) *Non-Executive Director* – an Associate of the Royal Institute of Chartered Surveyors 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 18 October 2002.

	Number of Shares	**%**
Texas Group plc and Texas Holdings Limited	7,287,126	14.7
Scarborough Property Investment Company Limited	3,678,040	7.4
B Procter and C Talbot settlement	1,905,760	3.8

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 101 days (2001: 83 days) of average supplies for the year.

Charitable donation

Charitable donations of £1,060 were paid during the year.

Annual General Meeting

Notice of the Annual General Meeting of the Company to be held on 9 December 2002 at 11.30 a.m. appears on pages 42 and 43 of the report and accounts 2002 ("AGM").

Special business

Resolutions 5 to 9 inclusive in the Notice of the AGM are items of special business. Resolution 5 will be proposed as an ordinary resolution and each of resolutions 6 to 9 inclusive will be proposed as special resolutions.

Resolution 5 empowers the directors to allot shares with a nominal value of up to £165,444 (which will represent one-third of the issued ordinary share capital following the sub-division and redesignation of the share capital to be effected by resolution 7) or, if resolution 7 is not duly passed as a special resolution, £1,654,440 which represents one-third of the issued ordinary share capital as at 24 October 2002. The authority, if given, will last until the earlier of 8 March 2004 and the commencement of the Annual General Meeting in 2003. 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 issues and otherwise up to a maximum nominal amount of £24,816 (which will represent

Report of the Directors

approximately 5% of the issued ordinary share capital following the sub-division and redesignation of the share capital to be effected by resolution 7) or, if resolution 7 is not duly passed as a special resolution, £248,166, representing approximately 5% of the Company's issued ordinary share capital as at 24 October 2002. The authority will terminate no later than 15 months after the Annual General Meeting.

Resolution 7 will be proposed to approve the subdivision and redesignation of each of the issued existing ordinary shares of 10p each into one new ordinary share of 1p each and nine deferred shares of 1p each and the sub-division of the authorised but unissued share capital of the Company into new ordinary shares of 1p each and amend the articles of association accordingly.

Resolution 8 will be proposed to approve the cancellation of the deferred shares and resolution 9 will be proposed to cancel the share premium account of the Company.

The Company is currently unable to pay any dividends as a result of the deficit which exists on its profit and loss account reserves. Following the cancellation of the deferred shares, if they are first created, and the cancellation of the share premium account, the deficit will be substantially reduced because it is proposed that the amounts released as the result of these cancellations will be credited to the profit and loss account of the Company. As long as a deficit remains, the Company will be unable to pay any dividends. However, the proposed cancellations may allow the possibility of earlier dividend payments than would otherwise be the case. Share premium is the amount paid for shares issued in the Company in excess of their nominal value, and is treated as if it were capital of the Company.

The cancellation of the deferred shares and the cancellation of the share premium account each require, first, that the requisite proposal be approved by shareholders as a special resolution. Second, following the passing of the relevant resolution, the resolution must be confirmed by an order of the High Court. Each proposed cancellation requires, in order to take effect, the confirmation of the Court in respect of it. The effective date of the cancellation as set out in the relevant resolution will be the date upon which the Court's order confirming the relevant cancellation is registered by the Company with the Registrar of Companies.

Accordingly, assuming that the necessary resolution has been passed, the Company will apply to the High Court for an appropriate order of confirmation. Only one application need be made to cover both proposed cancellations if both are approved by shareholders. In order to obtain the confirmation of the Court, the Company will be required to give certain undertakings to the Court restricting the use to which it will put any distributable reserves in subsidiary companies and any profits arising in the financial year in which the proposed cancellations take effect, as to the treatment of provisions in the profit and loss account of the Company, and possibly other matters. The terms upon which the Court is prepared to confirm either of the proposed cancellations will be subject to consideration in due course by the Court and discussion between the Company and its advisers. The Directors reserve the right to discontinue the application to Court if they consider it appropriate in the interests of the Company to do so.

The proportionate interests of shareholders in the Company prior to the creation of the proposed deferred shares are not affected by the proposed creation of the deferred shares or their cancellation. The proposed cancellations will not affect the voting or dividend or rights on a return of capital in respect of the remaining ordinary shares.

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 A Manning FCA
Secretary
24 October 2002

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 included 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 and any business or other relationship which could interfere with the exercise of their independent judgement. 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. The Board has named Andrew Laver as the senior independent non-executive director. The board members are described on pages 12 and 13. 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 a 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 options 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 pages 18 and 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.

Corporate Governance

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 and reports to regulators, 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 20, and those of the* auditors on page 21. A statement on going concern is also on page 17.

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the company's assets. A review of procedures has ensured full compliance with the Combined Code during the financial year, except as noted below.

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 their 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.

Compliance

The company has complied throughout the year with the Code provisions set out in Section 1 of the Combined Code except that the Board did not have a Chief Executive prior to 5 March 2002. Therefore the company did not comply with provision A2.1 of the Code for the full year.

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 on-going 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) 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. Further details of the enquiries made by the directors are given in Note 1 to the financial statements.

By order of the Board

M A Manning FCA

Secretary

24 October 2002

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 June 2002.

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.

Report on Remuneration

Directors' emoluments

	Basic salaries 2002 £000	Fees 2002 £000	Benefits 2002 £000	Total 2002 £000	Total 2001 £000
A M Bamford	–	19	–	**19**	–
D Dooley	48	–	9	**57**	41
M D Dudley	–	–	–	**–**	–
A J Laver	–	–	–	**–**	–
K C McCabe	–	–	–	**–**	–
B Procter	–	–	–	**–**	–
	48	19	9	**76**	41

Executive directors' pensions

No contributions were made by the group to directors' pension schemes in the year ended 30 June 2002 (2001: £nil).

By order of the Board

M A Manning FCA

Secretary

24 October 2002

Directors' Responsibilities

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 21, 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 Listing 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.

By order of the Board

M A Manning FCA

Secretary

24 October 2002

Principal 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, apart from the adoption of FRS19: Deferred Taxation. The effect on the results for the current and preceding period is £nil.

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

Principal Accounting Policies

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. 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.

Consolidated Profit and Loss Account for the year ended 30 June 2002

	Note	£000	2002 £000	£000	2001 £000
Turnover					
Continuing businesses	2		**10,041**		6,513
Cost of sales			**(7,230)**		(7,076)
Gross profit/(loss)			**2,811**		(563)
Administrative expenses	2	**(5,615)**		(3,565)	
Other operating income	3	**418**		575	
			(5,197)		(2,990)

	2002 £000	2001 £000
Continuing businesses:		
Operating loss before amortisation of cost of players' registrations and cost of terminating players' contracts	**(882)**	(2,372)
Amortisation of cost of players' registrations	**(967)**	(650)
Cost of terminating players' contracts	**(394)**	(331)
Football League and Life Assurance Scheme shortfall contribution	**(143)**	(200)
	(2,386)	(3,553)

	Note	2002 £000	2001 £000
Operating loss		**(2,386)**	(3,553)
Profit on disposal of players' registrations	2	**1,072**	3,709
(Loss)/profit on ordinary activities before interest		**(1,314)**	156
Net interest payable	4	**(524)**	(523)
Loss on ordinary activities before taxation	2	**(1,838)**	(367)
Taxation	6	**–**	–
Loss on ordinary activities for the year after taxation		**(1,838)**	(367)
Retained loss for the financial year	20	**(1,838)**	(367)
Loss per share on ordinary activities			
Basic and fully diluted	8	**(3.7)p**	(0.7)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 accounting policies and notes form an integral part of these financial statements.

Consolidated Balance Sheet
at 30 June 2002

	Note	£000	2002 £000	£000	2001 £000
Fixed assets					
Intangible assets	9		**620**		943
Tangible assets	10		**21,749**		20,424
			22,369		21,367
Current assets					
Stocks	12	**128**		182	
Debtors	13	**1,064**		1,599	
		1,192		1,781	
Creditors: amounts falling due within one year	14	**(9,947)**		(8,404)	
Net current liabilities			**(8,755)**		(6,623)
Total assets less current liabilities			**13,614**		14,744
Creditors: amounts falling due after more than one year	15		**(4,436)**		(3,122)
Deferred income	18		**(5,622)**		(6,228)
Net assets			**3,556**		5,394
Capital and reserves					
Called up share capital	19		**4,964**		4,964
Share premium account	20		**13,883**		13,883
Merger reserve	20		**3,018**		3,018
Profit and loss account	20		**(18,309)**		(16,471)
Shareholders' funds	21		**3,556**		5,394

The financial statements were approved by the Board of directors on 24 October 2002.

K C McCabe, Chairman

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

Company Balance Sheet
at 30 June 2002

	Note	£000	2002 £000	£000	2001 £000
Fixed assets					
Tangible assets	10		**603**		691
Investments	11		**2,609**		4,759
			3,212		5,450
Current assets					
Debtors	13	**5,144**		5,876	
Cash at bank and in hand		**4,146**		3,889	
		9,290		9,765	
Creditors: amounts falling due within one year	14	**(4,091)**		(2,991)	
Net current assets			**5,199**		6,774
Total assets less current liabilities			**8,411**		12,224
Creditors: amounts falling due after more than one year	15		**(2,900)**		(2,663)
Net assets			**5,511**		9,561
Capital and reserves					
Called up share capital	19		**4,964**		4,964
Share premium account	20		**13,883**		13,883
Merger reserve	20		**8,186**		8,186
Profit and loss account	20		**(21,522)**		(17,472)
			5,511		9,561

The financial statements were approved by the Board of directors on 24 October 2002.

K C McCabe, Chairman

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

Consolidated Cash Flow Statement
for the year ended 30 June 2002

	Note	£000	2002 £000	£000	2001 £000
Net cash (outflow)/inflow from operating activities	22		**(344)**		2,652
Returns on investments and servicing of finance					
Interest paid		**(472)**		(460)	
Interest element of finance lease payments		**(52)**		(63)	
Net cash outflow from returns on investments and servicing of finance			**(524)**		(523)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		**(1,798)**		(3,961)	
Proceeds from disposal of tangible fixed assets		**-**		2	
Payments to acquire player registrations		**(672)**		(330)	
Proceeds from disposal of player registrations		**1,100**		3,876	
Net cash outflow from capital expenditure and financial investment			**(1,370)**		(413)
Net cash (outflow)/inflow before financing			**(2,238)**		1,716
Financing					
Capital element of finance lease payments	24	**(482)**		(396)	
Repayment of other financial liabilities	24	**(4,818)**		(2,477)	
Receipts from borrowings	24	**7,102**		4,011	
Net cash inflow from financing			**1,802**		1,138
(Decrease)/increase in cash	23		**(436)**		2,854

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

Notes to the Financial Statements for the year ended 30 June 2002

1 **GOING CONCERN**

The financial statements have been prepared on the going concern basis. The directors, having considered the trading and cash forecasts for the next 12 months, have a reasonable expectation that the borrowing facilities available to the group are sufficient to meet the requirements indicated by those forecasts.

These forecasts have been prepared against a backdrop where there is currently uncertainty regarding future funding in the football industry. The effect of the change in the transfer market introduced by FIFA is yet to be fully understood and there are doubts over whether other clubs will be willing to continue to pay increasingly large sums of money to purchase new players when the transfer window reopens in January 2003. A number of clubs have recently gone into administration and the uncertainty surrounding a number of other clubs may further impact upon the industry.

The directors are continuing to seek income streams from sources outside football and look to developments such as the Enterprise Centre and proposed hotel scheme. The financial statements do not include any adjustments that would result from a significant fall in the future income which has been included in the group's financial forecasts.

These uncertainties may have a significant impact on the group.

2 **TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

The turnover and the loss on ordinary activities before taxation can be analysed as follows:

	2002	2001
Turnover	**£000**	£000
Area of activity:		
Professional football activities:		
Gate receipts	**2,641**	2,532
Television income	**4,007**	946
Sponsorship, royalties, merchandising and advertising income	**2,029**	2,023
Conference and banqueting income	**854**	817
	9,531	6,318
Soccer royalty income, corporate hospitality and stewarding	**242**	169
Business centre income	**268**	26
	10,041	6,513

	Loss before exceptional items £000	**Exceptional items £000**	**2002 Total £000**	2001 Total £000
Loss before taxation				
Professional football activities	(1,880)	1,072	**(808)**	(67)
Soccer royalty income, corporate hospitality and stewarding	(142)	–	**(142)**	(4)
Business centre	(161)	–	**(161)**	77
Parent company	(203)	–	**(203)**	150
	(2,386)	1,072	**(1,314)**	156
Net interest payable			**(524)**	(523)
			(1,838)	(367)

Notes to the Financial Statements for the year ended 30 June 2002 (continued)

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

Net assets	**2002 £000**	2001 £000
Professional football activities	**12,947**	11,716
Soccer royalty income, corporate hospitality and stewarding	**(2)**	150
Business centre	**41**	116
Parent company	**228**	600
	13,214	12,582
Net debt	**(9,658)**	(7,188)
	3,556	5,394

The loss on ordinary activities is stated after:	**2002 £000**	2001 £000
Auditors' remuneration - audit services	**32**	31
Auditors' remuneration - non-audit services	**61**	10
Amortisation of players' registrations	**967**	650
Depreciation of owned assets	**453**	349
Depreciation of assets held under finance leases and hire purchase contracts	**251**	131
Hire of equipment - operating leases	**20**	23

Analysis of administrative expenses:	**2002 £000**	2001 £000
Amortisation of players' registrations	**967**	650
Administration salaries and wages	**1,391**	1,219
Cost of terminating staff contracts (including release of provisions)	**63**	(93)
Cost of terminating players' contracts	**394**	331
Player related administration (including agents' fees)	**193**	74
Depreciation	**368**	218
Repairs, renewals and maintenance	**212**	133
Legal and professional fees (including costs of the share offer)	**405**	113
Printing, postage and stationery	**176**	74
Insurance	**137**	99
Rates (net of refund)	**116**	4
Heat, light and power	**127**	85
Training ground costs	**59**	28
Charitable donation	**1**	1
Telephone and communication	**98**	42
Football League and Life Assurance Scheme shortfall contribution	**143**	200
Image contract costs	**144**	48
Bank charges	**87**	36
Computer expenses	**89**	37
Other expenses	**445**	266
	5,615	3,565

Notes to the Financial Statements for the year ended 30 June 2002 (continued)

3 OTHER OPERATING INCOME

	2002	2001
Other operating income is made up as follows:	£000	£000
Donations from development funds	389	368
Business centre revenue grants	29	149
Insurance claim received	–	58
	418	575

4 NET INTEREST PAYABLE

	2002	2001
	£000	£000
Bank overdraft and loans	460	443
Finance lease interest	52	63
Other interest	12	17
	524	523

5 STAFF COSTS

	2002	2001
Staff costs during the year were as follows:	£000	£000
Wages and salaries	6,505	6,184
Social security costs	591	603
Other pension costs	47	51
	7,143	6,838

The average number of employees during the year was as follows:	Number	Number
Office and management	53	52
Selling, marketing and distribution	19	21
Professional football activities	75	68
Stewarding and banqueting	60	59
	207	200

Directors' emoluments, directors' pension details and directors' share options are shown in the report on remuneration on pages 18 to 19.

6 TAXATION

No provision has been made for deferred taxation on trading losses carried forward. The total amount unprovided for is approximately £3,740,000 (2001: £3,520,000). 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 (2001: £103,000). 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:	**2002**	2001
	£000	£000
Loss on ordinary activities before tax	**(1,838)**	(367)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2001: 20%)	**(349)**	(73)
Effect of:		
Expenses not deductible for tax purposes	**125**	65
Deductions allowable for tax purposes	**(65)**	(54)
Depreciation for the period in excess of capital allowances	**67**	(27)
Short term timing differences	**2**	7
Unused tax losses carried forward	**220**	82
	–	–

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 loss of £4,050,000 (2001: loss £3,157,000) 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 £1,838,000 (2001: £367,000) divided by 49,633,201 (2001: 49,633,201) shares being the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

None of the share options or contingent shares were considered to be dilutive at either 30 June 2002 or 30 June 2001.

9 INTANGIBLE FIXED ASSETS

Transfer fees paid for players' registrations

Group	**£000**
Cost	
At 1 July 2001	**2,690**
Additions	**672**
Disposals	**(1,429)**
At 30 June 2002	**1,933**
Amortisation	
At 1 July 2001	**1,747**
Amortisation in year	**967**
Released on disposal	**(1,401)**
At 30 June 2002	**1,313**
Net book amount	
At 30 June 2002	**620**
At 30 June 2001	943

10 TANGIBLE FIXED ASSETS

Group	Freehold and long leasehold land and buildings	Assets in the course of construction	Fixtures, plant and equipment	Motor vehicles	Total
Cost	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 July 2001	**16,947**	**3,424**	**2,262**	**106**	**22,739**
Additions	**127**	**1,610**	**255**	**38**	**2,030**
Disposals	**–**	**–**	**(1)**	**–**	**(1)**
Reclassifications	**3,705**	**(3,695)**	**(10)**	**–**	**–**
At 30 June 2002	**20,779**	**1,339**	**2,506**	**144**	**24,768**
Depreciation					
At 1 July 2001	**527**	**–**	**1,735**	**53**	**2,315**
Provided during the year	**340**	**–**	**334**	**30**	**704**
At 30 June 2002	**867**	**–**	**2,069**	**83**	**3,019**
Net book amount					
At 30 June 2002	**19,912**	**1,339**	**437**	**61**	**21,749**
At 30 June 2001	16,420	3,424	527	53	20,424

The total amount of finance costs included in the cost of tangible fixed assets is £99,000 (2001: £76,000).

Assets in the course of construction at 30 June 2002 relate to the Academy. Assets in the course of construction at 30 June 2001 relate to the Blades Enterprise Centre.

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

	2002	2001
	£000	£000
Fixtures, plant and equipment	**310**	234
Motor vehicles	**49**	34
Freehold and long leasehold land and buildings	**1,741**	1,778
	2,100	2,046

TANGIBLE FIXED ASSETS (continued)

Company	**Freehold land and buildings**	**Fixtures, plant and equipment**	**Motor vehicles**	**Total**
Cost	**£000**	**£000**	**£000**	**£000**
At 1 July 2001 and 30 June 2002	**515**	**421**	**23**	**959**
Depreciation				
At 1 July 2001	**4**	**245**	**19**	**268**
Provided during the year	**4**	**83**	**1**	**88**
At 30 June 2002	**8**	**328**	**20**	**356**
Net book amount				
At 30 June 2002	**507**	**93**	**3**	**603**
At 30 June 2001	511	176	4	691

The net book amount includes £89,000 (2001: £172,000) in respect of assets held under finance leases and hire purchase contracts.

11 INVESTMENTS

Company	**£000**
Shares in subsidiary undertakings	
Cost at 1 July 2001 and 30 June 2002	**10,459**
Amounts written off	
At 1 July 2001	**5,700**
Impairment	**2,150**
At 30 June 2002	**7,850**
Net book amount	
At 30 June 2002	**2,609**
At 30 June 2001	4,759

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

12 STOCKS

	Group	
	2002	2001
	£000	£000
Finished goods and goods for resale	**128**	182

13 DEBTORS

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Trade debtors	**563**	359	**–**	–
Prepayments and accrued income	**377**	692	**22**	53
Other debtors	**124**	548	**21**	4
Amounts owed by group undertakings	**–**	–	**5,101**	5,819
	1,064	1,599	**5,144**	5,876

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

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Amounts owed by group undertakings	**–**	–	**4,893**	5,796

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank overdrafts and loans (secured)	**4,121**	3,141	**2,599**	2,283
Other loans	**610**	510	**500**	–
Trade creditors	**2,976**	3,040	**174**	6
Amounts owed to group undertakings	**–**	–	**479**	482
Other taxes and social security costs	**376**	679	**4**	5
Other creditors	**417**	275	**29**	1
Accruals	**956**	343	**201**	123
Hire purchase and finance lease contracts	**491**	416	**105**	91
	9,947	8,404	**4,091**	2,991

The bank facilities are secured by debentures over the assets of certain group companies.

Undrawn committed borrowing facilities at 30 June 2002 amounted to £nil (2001: £1,600,000).

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	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank loans	**4,083**	2,558	**2,900**	2,558
Other loans	**204**	89	**–**	–
Other creditors	**–**	1	**–**	–
Hire purchase and finance lease contracts	**149**	474	**–**	105
	4,436	3,122	**2,900**	2,663

16 BORROWINGS

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
In less than one year or on demand:				
Bank and other borrowings	**4,121**	3,141	**2,599**	2,283
Other financial liabilities	**610**	510	**500**	–
Finance leases	**491**	416	**105**	91
In more than one year but less than two years:				
Bank and other borrowings	**977**	867	**749**	866
Other financial liabilities	**135**	10	**–**	–
Finance leases	**77**	435	**–**	105
In more than two years but less than five years:				
Bank and other borrowings	**2,836**	1,691	**2,151**	1,692
Other financial liabilities	**30**	30	**–**	–
Finance leases	**72**	39	**–**	–
In more than five years:				
Bank and other borrowings	**270**	–	**–**	–
Other financial liabilities	**39**	49	**–**	–
	9,658	7,188	**6,104**	5,037

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		
	Fixed £000	**Floating £000**	**Total £000**
2002			
Financial liabilities	**640**	**8,518**	**9,158**
2001			
Financial liabilities	1,390	5,798	7,188

Financial liabilities amounting to £500,000 at 30 June 2002 (2001:£nil) were interest free.

The weighted average interest rate of the fixed rate financial liabilities was 7%. The weighted average period was two years. The benchmark rate for determining interest payments for the floating rate financial liabilities was 6.5%.

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 2002 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 2002 and 30 June 2001.

18 DEFERRED INCOME

Group	2002	2001
	£000	£000
Advance ticket sales	**1,474**	1,220
Sponsorship, advertising and other income	**262**	82
Television income	**–**	1,110
Deferred grant income	**3,966**	3,867
Release to the profit and loss account in respect of deferred grant income	**(80)**	(51)
At 30 June 2002	**5,622**	6,228

19 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	Number	£000	Number	£000
Ordinary shares of 10p each				
At 1 July 2001 and 30 June 2002	**90,000,000**	**9,000**	**49,633,201**	**4,964**

Share option scheme

The company operates an employee share option scheme for the benefit of senior employees. During the year no options were granted (2001: 800,000) and no options were exercised (2001: None). During the period options lapsed in respect of 442,587 ordinary shares (2001: None).

The share price at 30 June 2002 was 5p and the range during the year was 9¼p to 5p.

At 30 June 2002 the total number of options outstanding under the current and previous share option schemes was as follows:

Number of ordinary shares of 10p each		Option price	Exercisable between
2002	2001		
30,000	30,000	40p	04/05/98 and 04/05/05
120,000	120,000	40p	21/11/98 and 14/01/04
180,000	180,000	40p	14/01/97 and 14/01/04
–	225,920	35p	11/03/98 and 11/09/01
–	50,000	32p	24/04/98 and 24/10/01
–	166,667	60p	16/01/97 and 16/01/02
800,000	800,000	14p	06/11/02 and 06/11/05
1,130,000	1,572,587		

Notes to the Financial Statements for the year ended 30 June 2002 (continued)

20 SHARE PREMIUM ACCOUNT AND RESERVES

Group	Profit and loss account £000	Merger reserve £000	Share premium £000
At 1 July 2001	(16,471)	3,018	13,883
Loss for the year	(1,838)	–	–
At 30 June 2002	(18,309)	3,018	13,883

Goodwill, written off against reserves on the acquisition of businesses, cumulatively amounts to £2,513,000 (2001: £2,513,000).

Company	Profit and loss account £000	Merger reserve £000	Share premium £000
At 1 July 2001	(17,472)	8,186	13,883
Loss for the year	(4,050)	–	–
At 30 June 2002	(21,522)	8,186	13,883

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
Loss for the year	(1,838)	(367)
Shareholders' funds at 30 June 2001	5,394	5,761
Shareholders' funds at 30 June 2002	3,556	5,394

22 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 £000	2001 £000
Operating loss	(2,386)	(3,553)
Depreciation	704	480
Loss/(profit) on disposal of fixed assets	–	(2)
Amortisation of players' registrations	967	650
Decrease in stocks	54	4
Decrease in debtors	535	483
Increase in creditors	388	2,052
(Decrease)/increase in deferred income	(606)	2,538
Net cash (outflow)/inflow from operating activities	(344)	2,652

Notes to the Financial Statements for the year ended 30 June 2002 (continued)

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002	2001
	£000	£000
(Decrease)/increase in cash in the period	**(436)**	2,854
Cash inflow from change in debt and lease financing	**(1,802)**	(1,138)
Changes in net debt resulting from cashflows	**(2,238)**	1,716
Inception of finance leases	**(232)**	(113)
Movement in net debt in the period	**(2,470)**	1,603
Net debt at 1 July 2001	**(7,188)**	(8,791)
Net debt at 30 June 2002	**(9,658)**	(7,188)

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2001	**Cash flow**	**Non-cash items**	**At 30 June 2002**
	£000	**£000**	**£000**	**£000**
Bank overdrafts	**(858)**	**(436)**	**–**	**(1,294)**
Debt due within 1 year	**(2,793)**	**(644)**	**–**	**(3,437)**
Debt due after 1 year	**(2,647)**	**(1,640)**	**–**	**(4,287)**
Finance leases	**(890)**	**482**	**(232)**	**(640)**
Total	**(7,188)**	**(2,238)**	**(232)**	**(9,658)**

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £232,000.

25 CAPITAL COMMITMENTS

	Group		**Company**	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Contracted for but not provided in these financial statements	**1,862**	241	**–**	–

The above commitments relate to the club's football Academy (2001: the Blades Enterprise Centre).

26 CONTINGENT ASSETS AND LIABILITIES

The company and its wholly owned subsidiaries have 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 (2001: £7,225,000) under these arrangements.

The group was entitled to receive certain amounts from other football clubs in respect of deferred transfer fees. This amounted to £500,000 at 30 June 2002 (2001: £nil).

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.

Total contributions charged to the profit and loss account during the period amounted to £47,000 (2001: £51,000).

28 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2002 the group had annual commitments under operating leases as follows:

	2002 Other £000	2001 Other £000
Group		
Leases expiring within one year	**7**	9
Leases expiring within two to five years	**1**	16
Leases expiring after five years	**1**	1
	9	26

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 £185,000 (2001: £391,000). 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 £175,000 (2001: £310,000). This amount is not provided in the financial statements as it is not expected to be payable.

Under the terms of certain player contracts, certain additional amounts would be payable if the football club reaches the play-offs or wins promotion to the FA Premier League. The maximum that could be payable is £645,000 (2001: £755,000). This amount is not provided in the financial statements as the condition is uncertain at the year end.

30 RELATED PARTY TRANSACTIONS

During the year the group purchased goods and services from companies which certain directors held interests in. 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.

During the year the company had borrowings of £1,650,000 with HSBC Bank plc. The repayment of these loans has been guaranteed by Mr M D Dudley, Mr A J Laver, Mr B Procter (a director of the company at the time of such guarantees) and Scarborough Property Group plc, a company in which Mr K C McCabe has a controlling interest. An amount included within trade creditors at 30 June 2002 of £753,000 was assigned to Scarborough Property Group plc in July 2002.

During the year the group borrowed £350,000 from Scarborough Property Group plc, a company in which Mr K C McCabe has a controlling interest and £170,000 from Mr M D Dudley. The amount due to Scarborough Property Group plc at 30 June 2002 was £350,000 and the amount due to Mr M D Dudley at 30 June 2002 was £170,000. Both of these loans are interest free and unsecured.

On 24 May 2002, Scarborough Property Group plc agreed to provide up to £1.5 million for the group in the form of unsecured loan notes carrying interest at 4% per annum over the base rate. These loan notes had not been received as at 30 June 2002 and have therefore not been included in these financial statements.

31 **POST BALANCE SHEET EVENTS**

Restructuring of borrowings

In August 2002, the group's bank borrowing facilities were transferred to Halifax Bank of Scotland. The existing loans and overdrafts previously held with HSBC Bank plc have been replaced by a combination of a term loan, mezzanine loan and a revolving credit facility. This provides the group with bank facilities of:

(i) term loan facilities of up to £10 million
(ii) mezzanine loan facility of up to £1.5 million
(iii) revolving credit facility of up to £2 million

This compares with facilities in place at 30 June 2002 of:

(i) term loan facilities of up to £7.3 million
(ii) revolving credit facility of £1 million

32 **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 2 of this annual report.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the fifty-eighth Annual General Meeting of Sheffield United plc will be held in the Platinum Suite at Bramall Lane, Sheffield S2 4SU on 9 December 2002 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 2002 and the reports of the directors and auditors thereon.
2. To elect A M Bamford as a director, who was appointed since the last Annual General Meeting.
3. To re-elect D Dooley 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 resolutions 6 to 9 inclusive will be proposed as special resolutions:

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 £165,444 or, if resolution number 7 set out in the notice of the annual general meeting of the Company of which this resolution forms part is not duly passed as a special resolution of the Company, £1,654,440, 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 £24,816 or, if resolution number 7 set out in the notice of the annual general meeting of the Company of which this resolution forms part is not duly passed as a special resolution of the Company, £248,166;

   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.
7. That

   7.1 each ordinary share of 10p in the capital of the Company in issue at the date of the passing of this resolution be and is hereby subdivided into 10 ordinary shares of 1p each, each such ordinary share of 1p having the rights and being subject to the restrictions set out in the articles of association of the Company (as amended by this resolution);

   7.2 of the 10 ordinary shares of 1p each in issue which arose on the subdivision of each ordinary share of 10p in issue, 9 such ordinary shares of 1p each be and are hereby redesignated as 9 deferred shares of 1p each having the rights and being subject to the restrictions set out in the articles of association of the Company (as amended by this resolution);

   7.3 each ordinary share of 10p each in the capital of the Company which is not in issue at the date of the passing of this resolution be and is hereby subdivided into 10 ordinary shares of 1p each, each such ordinary share of 1p each having the rights and being subject to the restrictions set out in the articles of association of the Company (as amended by this resolution);

Notice of Annual General Meeting

7.4 the articles of association of the Company be and the same are hereby amended by deleting the existing article 5 and by substituting therefore the new article 5 in the form set out below

"5. The share capital of the Company is £9,000,000 divided into 453,301,191 ordinary shares of 1p each ("Ordinary Shares") and 446,698,809 non-voting deferred shares of 1p each ("Deferred Shares").

The rights attached to the Deferred Shares are as follows:

(a) no dividend or other distribution shall be paid or made in respect of the Deferred Shares;

(b) the holders of Deferred Shares shall not be entitled to receive notice of, or to attend or vote at, any general meeting of the Company;

(c) on a return of capital whether on a winding-up or otherwise the holders of the Deferred Shares shall be entitled to receive only the amount credited as paid up on each such share but only after the holder of each Ordinary Share shall have received the amount paid up or credited as paid up on such share together with a payment of £10,000 per share but the holder of the Deferred Shares shall not be entitled to participate further; and

(d) the creation of the Deferred Shares shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holders of such shares a transfer and/or an agreement to transfer the same, without making any payment to the holders thereof, to such persons as the Company may determine and to purchase the same in accordance with the provisions of the Companies Acts at a price of 1p for each separate holding of Deferred Shares and pending such transfer and/or cancellation to retain the certificates (if any) thereof.

In the event of any inconsistency between any other of these Articles of Association and this Article 5, the provisions of this Article 5 shall apply and the other Articles with which this Article 5 would appear to conflict shall be construed accordingly."

8. That

8.1 subject to and conditionally upon resolution number 7 set out in the notice of the annual general meeting of the Company of which this resolution forms part being passed as a special resolution of the Company, the authorised share capital of the Company be reduced from £9,000,000 divided into 453,301,191 ordinary shares of 1p each and 446,698,809 non-voting deferred shares of 1p each to £4,533,011.91 divided into 453,301,191 ordinary shares of 1p each, and that such reduction be effected by cancelling and extinguishing each of the issued non-voting deferred shares of 1p each in the capital of the Company for no consideration; and

8.2 consequent upon an order of the court confirming the reduction of the share capital of the Company by the cancellation of the said deferred shares being registered by the Registrar of Companies for England and Wales the articles of association of the Company be amended by deleting the existing Article 5 and by substituting therefor the new article 5 in the form set out below:

"5. The share capital of the Company is £4,533,011.91 divided into 453,301,191 ordinary shares of 1p each."

9. That the amount standing to the credit of the share premium account of the Company as at the date of the passing of this resolution be cancelled.

By order of the Board

M A Manning FCA
Secretary
24 October 2002

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 6 December 2002 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 7 December 2002 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.

Blades Ticket Hotline: 0114 221 1889

Blades Superstore Direct Mail Order Hotline: 0114 221 7777

Official Website: www.sufc.co.uk

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