

Interim Report 2007



Sheffield United plc





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1 CHAIRMAN'S STATEMENT

The first six months of the present financial year has again seen positive progress and useful profits earned. Operating profits before amortisation and impairment of cost of player registrations of £4.2 million (compared to a loss of £0.8 million in the period to 31 December 2005) were achieved and after accounting for player trading, interest and tax, retained profits for this interim period are £1.3 million (six months to 31 December 2005: £0.1 million). I am pleased to say many of the field divisions have continued to expand as well as seeing improvements to the football related businesses. Turnover including our share of joint venture income has increased by 27% to £25.9 million principally due to broadcasting revenue and ticket sales. Earnings have uplifted to 1 pence per share.

FOOTBALL: FIRST TEAM AND YOUTH DEVELOPMENT

As I write, Sheffield United FC is presently in seventeenth place on 31 points in the Premier League with less than a quarter of the season remaining. Neil Warnock, his management team and senior players have adapted to the different challenges presented by the Premier League. The nucleus of the squad is similar to the one that gained promotion but has been improved with fifteen players acquired since the end of last season at a cost of £14.9 million.

It is exciting to witness the advance of youth development graduates Stephen Quinn and Nicky Law. The step up from Academy to first team should not be underestimated and to have two Premier League debutants is testimony not only to the skills within our infrastructure but also in the

close links between the senior squad and the Academy that facilitates the fast tracking of players – a real team effort. It has become clear from the composition of the majority of consistently successful Premier League clubs that we must look internationally as well as nationally for our young players of the future. In the past few months football links with Belgium, Ivory Coast and the Caribbean have been established seeing nine young players hand picked and recruited for Sheffield United FC. Four of the players are currently representing our sister club – Chengdu Blades FC in China – and five are playing for Royal White Star Woluwe FC, a Belgian third division club who since their arrival have advanced towards the top of the league. The intention is clear – to use and expand our experienced existing youth development infrastructure and expertise to advance the development of these overseas players until they are qualified to play for the Blades. Involving ourselves internationally also presents a number of commercial opportunities which other divisions of Sheffield United will seek to maximise.

Enhanced revenues associated with the Premier League in 2007/08 season are well documented. Whilst we are delighted with the progress to-date and confident of playing in the top flight of English football next season, there is healthy realism that much further work has to be done in the coming weeks before our qualification is secured.

FOOTBALL: RETAIL

With average gates at Bramall Lane now exceeding 30,000 persons per game, Sheffield United have become the eleventh best supported club in the Premier League.



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We have some 22,000 season ticket holders and the vocal intensity of home fans has regularly attracted favourable comment from visiting managers and the media. Early season ticket renewals charged at the same price as last year – a genuine price freeze – clearly reflects our commitment to retaining and enhancing the fan base in the long term. We recognise this support remains fundamental to the core of our club and is essential in planning ahead.

Recent media coverage has regularly focussed on the escalating costs associated with following a football team, with the Blades highlighted as one of the cheapest in the Premier League. We have implemented initiatives to make ticket purchasing more efficient with 'real time' sales achievable via the website and 'automated telesales' reducing telephone ticket queues as much as possible. Additionally we have trialled an automated card entry system in a section of the stadium which may address certain problems sometimes faced by supporters including lost, stolen or forgotten tickets.

Sales from sponsorship, hospitality and merchandising increased by 46% to £4.1 million reflecting the benefits of increasing the size of the 'Blades Superstore' completed in summer 2006. Our wider range of merchandise has been on sale this year and is proving extremely popular. Recently we reintroduced the opportunity for fans to choose Sheffield United's home and away kits for the next season.

SHEFFIELD UNITED: EVENTS AND LEISURE

This important division has performed admirably and

continues to grow our conference and events and health clubs businesses plus the commercial use of our Academy and Junior Development Centre facilities.

Christmas saw some 10,000 party goers entertained at Bramall Lane completing the most successful six months by a large margin. Our à la carte restaurant renamed '1889' was awarded 'two knives and forks' by the Michelin Guide, one of only a handful of restaurants in Sheffield to achieve this prestigious accolade. The 'Tunnel Bar' opened in August 2006 and is well attended particularly on match days and the recently revamped and vastly modernised Hall of Fame – now rechristened 'Legends of the Lane' – celebrates not only the history and heritage of Sheffield United but provides a unique match day dining experience.

An important ingredient of our 'family club' is our duty to the local communities where we are based as further increases in the conference and events division help create new job opportunities. At Bramall Lane, after much frustration and delays we are now close to commencing the construction of our 159 bedroom hotel in venture with Millennium & Copthorne plc. Our executive are now finalising the funding arrangements and are awaiting approval from Sheffield City Council for a new application which was required to accommodate design improvements and an increased number of hotel bedrooms. Consents should be forthcoming in April.

Currently the Club is awaiting planning approval from the Council for expanding our Junior Development Centre incorporating community sports uses at Crookes to include an outdoor all weather multi-game surface and a second





4 CHAIRMAN'S STATEMENT

'Impact' gymnasium. After listening and consulting with local residents, certain initial proposals have been withdrawn which we hope to be able to readdress once Crookes is in full operation.

As is the case at Shirecliffe and Bramall Lane we will be working with the Crookes community in order to provide excellent facilities for utilisation by local residents.

Contributions from Thames Health Club at Staines improved substantially during the second six months of ownership to a membership now comprising of some 2,600 people.

PROPERTY

Our share of profits for the period from our joint venture Scarborough Group Ltd – United Scarborough Estates Ltd (USE) – were £0.6 million after accounting for all interest charges and taxation. Since inception, USE has earned profits before interest and tax – half of which are attributed to Sheffield United plc – of some £7.5 million and has in seasons gone by been material in permitting the Club to invest more in the first team squad with the simple aim of assisting in gaining promotion back to the Premier League. However now that our initial football objectives have been achieved then the projected annual profit of USE in proportion to the revenue generated from broadcasting contracts in the Premier League is relatively small. Therefore should the Club retain Premier League status this season it is the wish of my directors to cease the venture with our management then focussing its time and effort to local real estate initiatives and of course the

core business of football. Recently we announced the acquisition of a portfolio of properties that surround Bramall Lane (initially purchased by USE but now wholly owned by Sheffield United) and eventually to be redeveloped to suit our aspirations for stadium initiatives plus the regeneration of Sharrow.

Bramall Lane is at the heart of the Sharrow community and we are its largest employer. Thus the Club is instrumental in leading the master planning for the community regeneration. We were most disappointed that Sheffield did not receive the licence for the UK's first regional casino as undoubtedly this would have provided a major stimulus for regeneration. However confidence remains that Sheffield United will produce a creative and viable master plan for the residents of the area that surround our stadium implementing on a phased basis the regeneration of Sharrow in the years ahead.

Within the six month period minor stadium improvements have been completed including upgrading of concourse facilities in the Halliwells upper stand and increasing facilities for disabled supporters. With average attendances exceeding 30,000 people per match, we are studying the benefits of redeveloping or extending the Hallam FM kop and/or the Global Windows stand. Both options are likely to involve complex construction projects that will be expensive and the feasibility of both options is being reviewed. In planning for the long term all sensible options are being considered to ensure that Sheffield United have a stadium that reflects our aspirations to play football at the top level.



5 CHAIRMAN'S STATEMENT

INTERNATIONAL

After finishing a credible fourth in the Chinese second division last year, Chengdu Blades FC visited the United Kingdom in January 2007 as part of their pre-season training. Our sister club's objectives for season 2007, which kicks off in late March, is to seek promotion to the Chinese Premier League and with the recent loaning of four Ivorian players achieved via the youth development system, hopes are high that Chengdu's aims will be realised.

As well as young players being recruited from the Ivory Coast and the Caribbean, links have been established with a club from Belgium and we are also considering strategic alliances with one of Brazil's major football organisations.

COMMUNITY

Our community projects are at the forefront of so many of the Club's initiatives. At Shirecliffe and Crookes we work on the utilisation of facilities to deliver programmes that are well supported by local resident groups. At Bramall Lane through our ticketing policy we provide affordable football for all our 'fill the Lane' days. Additionally we have recently launched 'fit for school' a curriculum-based initiative which focuses on healthy living for Key Stage 2 in South Yorkshire. Some 30 schools have already attended this unique and informative day out. It is our desire to coordinate all such activities under a Charitable Trust in due course, a structure which should help enable the various programmes to flourish.

FINANCING

As at 30 December 2006 net debt totalled £22.9 million. Shareholders will have recognised that a good portion of this debt reflects the investment in new players. Some £10 million of new debt was raised from the Convertible Loans issued following shareholder approval on 29 December 2006. £5 million of the proceeds were subsequently applied to player purchases in the January 2007 transfer window. Of the remaining £5 million from the Convertible Loan £1.25 million has been utilised to partially fund the acquisition from USE of those properties it held which are in the immediate vicinity of Bramall Lane. Other investment opportunities, including the hotel development, are also being considered.

PROSPECTS

The reshaping of the Blades has continued apace since our return to the Premier League. Substantial sums have been utilised for team strengthening demonstrating a firm intention to remain in the top echelon of football. Sheffield United's average crowd establishes us as eleventh best supported club in the Premier League which when coupled with our current position in the league indicates that our long term aims to play at the top level are realistic. Assuming we achieve the goal of maintaining our status in the top league then the next challenge is to provide a strengthened management with resources to deliver a first team capable of competing towards the higher end of the Premier League.

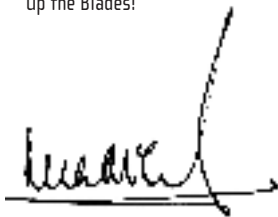


6 CHAIRMAN'S STATEMENT

CONCLUSION

With so much achieved in the last five years or so it would be nice to think we could sit back and believe that all our objectives have been realised. However a complacent laissez-faire attitude does not exist at Sheffield United as the ambition remains to continue and do our utmost to improve performance – financial and football – of our great Club. Let us hope that our hard earned Premier League status is retained this season and as we strive for success expect further changes in the composition of Sheffield United, all planned for the right reason.

Up the Blades!

A handwritten signature in black ink, appearing to read 'Kevin McCabe', with a long, sweeping flourish extending upwards and to the right.

Kevin McCabe

28 March 2007



7 INDEPENDENT REVIEW REPORT TO SHEFFIELD UNITED PLC

INTRODUCTION

We have been instructed by the company to review the financial information for the six months ended 31 December 2006 which comprises the profit and loss account, balance sheet, cash flow statement and the related notes. We have read the other information contained in the interim report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in APB Bulletin 1999/4 'Review of Interim Financial Information'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

DIRECTORS' RESPONSIBILITIES

The interim report including the financial information contained therein is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report and ensuring that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of Interim Financial Information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2006.

GRANT THORNTON UK LLP
CHARTERED ACCOUNTANTS
Sheffield
28 March 2007



8 CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 31 December 2006

	6 months ended 31.12.06	6 months ended 31.12.05 Restated	12 months ended 30.06.06 Restated
	Unaudited £000	Unaudited £000	Audited £000
Turnover			
Group and share of joint venture turnover	25,898	20,364	27,197
Less: Share of joint venture's turnover	(5,213)	(12,653)	(12,883)
Group turnover	20,685	7,711	14,314
Operating profit/(loss) before promotion bonuses, amortisation and impairment of costs of players' registrations and cost of terminating players' contracts	4,224	(814)	(5,410)
Promotion bonuses	-	-	(2,327)
Amortisation and impairment of cost of players' registrations	(2,935)	(435)	(1,341)
Termination payments	(35)	-	(529)
Operating profit/(loss)	1,254	(1,249)	(9,607)
Share of operating profit in joint venture	1,216	1,193	2,492
Profit on disposal of players' registrations	83	946	929
Operating profit/(loss) before interest	2,553	890	(6,186)
Net interest payable	(1,004)	(840)	(1,731)
Profit/(loss) before taxation	1,549	50	(7,917)
Taxation	(250)	-	-
Profit/(loss) on ordinary activities after taxation	1,299	50	(7,917)
Minority interest	81	-	40
Profit/(loss) for the financial year	1,380	50	(7,877)
Earnings/(loss) per share on ordinary activities – basic and fully diluted	£0.01	£0.001	£(0.05)



9 CONSOLIDATED BALANCE SHEET

at 31 December 2006

	31.12.06	31.12.05	30.06.06
	Unaudited	Restated Unaudited	Restated Audited
	£000	£000	£000
Fixed assets			
Intangible assets:			
Goodwill	134	–	134
Other	7,995	1,591	6,164
Tangible assets	33,495	24,203	31,264
Investment in joint venture:			
Share of gross assets	18,945	16,662	9,162
Share of gross liabilities	(16,715)	(15,937)	(7,515)
	43,854	26,519	39,209
Current assets			
Stocks	568	294	326
Debtors – amounts falling due within one year	7,020	2,458	2,541
Debtors – amounts falling due after more than one year	4,314	4,215	4,215
Cash at bank and in hand	8,462	–	600
	20,364	6,967	7,682
Creditors: amounts falling due within one year	(29,779)	(5,776)	(11,623)
Net current (liabilities)/assets	(9,415)	1,191	(3,941)
Total assets less current liabilities	34,439	27,710	35,268
Creditors: amounts falling due after more than one year	(9,248)	(11,708)	(13,853)
Deferred income	(12,819)	(7,181)	(10,317)
	12,372	8,821	11,098
Capital and reserves			
Called up share capital	21,184	14,248	21,184
Share premium account	16,778	13,531	16,803
Merger reserve	3,018	3,018	3,018
Profit and loss account	(28,523)	(21,976)	(29,903)
Shareholders' funds	12,457	8,821	11,102
Minority interest	(85)	–	(4)
	12,372	8,821	11,098



10 CONSOLIDATED CASHFLOW STATEMENT

for the six months ended 31 December 2006

	6 months ended 31.12.06 Unaudited £000	6 months ended 31.12.05 Unaudited £000	12 months ended 30.06.06 Audited £000
Net cash inflow/(outflow) from operating activities	976	(1,031)	(2,706)
Net cash outflow from returns on investments and servicing of finance	(546)	(273)	(711)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(2,671)	(1,367)	(3,777)
Payments to acquire player registrations	(5,940)	(216)	(2,669)
Proceeds from disposal of player registrations	132	760	1,030
Loan made to joint venture	(99)	(1,571)	(1,571)
Net cash outflow from capital expenditure and financial investment	(8,578)	(2,394)	(6,987)
Acquisitions			
Purchase of subsidiary undertakings	-	-	(4,694)
Net cash from purchase of subsidiary undertakings	-	-	352
Net cashflow from acquisitions	-	-	(4,342)
Net cash outflow before financing	(8,148)	(3,698)	(14,746)
Financing			
Issue of ordinary share capital	-	-	10,404
Costs of issuing share capital	(25)	(31)	(227)
Capital element of finance lease payments	(8)	(14)	(77)
Repayment of other financial liabilities	-	(75)	(109)
Repayment of bank borrowings	(914)	(503)	(1,127)
Receipts from bank borrowings	6,922	4,071	7,070
Receipts from other borrowings	10,000	350	-
Receipts from grants	35	83	81
Net cash inflow from financing	16,010	3,881	16,015
Increase in cash	7,862	183	1,269



11 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	6 months ended 31.12.06 Unaudited £000	6 months ended 31.12.05 Unaudited £000	12 months ended 30.06.06 Audited £000
Operating profit/(loss)	1,254	(1,249)	(9,607)
Depreciation	440	315	592
Negative goodwill released	–	–	(11)
Amortisation of players' registrations	2,057	435	1,341
Impairment of players' registrations	878	–	–
Increase in stocks	(242)	(54)	(74)
Increase in debtors	(4,479)	(1,129)	(1,263)
(Decrease)/increase in creditors	(1,399)	454	2,981
Increase in deferred income	2,540	268	3,479
Release of grant income	(73)	(71)	(144)
Net cash inflow/(outflow) from operating activities	976	(1,031)	(2,706)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	6 months ended 31.12.06 Unaudited £000	6 months ended 31.12.05 Unaudited £000	12 months ended 30.06.06 Audited £000
Increase in cash in the period	7,862	183	1,269
Cash inflow from change in net debt and lease financing	(16,000)	(3,829)	(5,757)
Non cashflow items	–	(141)	(225)
Movement in net debt in the period	(8,138)	(3,787)	(4,713)
Net debt at the beginning of the period	(14,796)	(10,083)	(10,083)
Net debt at the end of the period	(22,934)	(13,870)	(14,796)



12 NOTES

1. ACCOUNTING POLICIES

These interim results have been prepared on the same basis and using the same accounting policies as those used in the preparation of the full year's accounts to 30 June 2006.

2. PRIOR YEAR ADJUSTMENT

The balance sheets and profit and loss accounts for the six months ended 31 December 2005 and the full year accounts to 30 June 2006 have been restated to reflect an adjustment for additional bank interest payable on a mezzanine bank loan facility drawn in May 2002. The effect of the restating of the accounts is a reduction in reserves at 31 December 2005 of £532,000 and a reduction in reserves at 30 June 2006 of £608,000, and a reduction in the profit for the six months ended 31 December 2005 of £76,000 and a reduction in the profit for the year ended 30 June 2006 of £152,000.

3. TURNOVER

Turnover is analysed as follows:

	6 months ended 31.12.06 Unaudited China £000	6 months ended 31.12.06 Unaudited UK £000	6 months ended 31.12.06 Unaudited Total £000	6 months ended 31.12.05 Unaudited £000	12 months ended 30.06.06 Audited £000
Gate receipts	1	4,310	4,311	3,038	5,278
Television Income	-	10,010	10,010	663	1,077
Sponsorship, royalties, merchandising and advertising	147	3,937	4,084	2,781	4,997
Events and leisure	222	1,559	1,781	700	1,907
	370	19,816	20,186	7,182	13,259
Soccer royalty, corporate hospitality and stewarding	-	79	79	115	185
Business centre income	-	420	420	414	870
	370	20,315	20,685	7,711	14,314

4. There were no recognised gains or losses other than the consolidated profit/(loss) for each period.

5. The corporation tax liability shown in the profit and loss account represents the Group's share of the joint venture tax charge. No corporation tax liability arises in the rest of the Group during the six months ended 31 December 2006 due to the availability of losses brought forward.



13 NOTES

6. The calculation of earnings/(loss) per share is based on the profit/(loss) on ordinary activities after taxation divided by 211,841,348 shares (six months ended 31 December 2005: 142,485,131 and year ended 30 June 2006: 164,527,107 shares), being the weighted average number of shares in issue during each period.
7. At an extraordinary general meeting held on 29 December 2006, approval from the company's shareholders was received for the issue of £10 million (before expenses) of convertible loan notes. The loan notes will convert at the lower of 15 pence and the mid market price of an issued Ordinary Share at close of business on the business day prior to 31 March 2007, but at a minimum of 10 pence, unless the Club is not mathematically certain to be relegated from the Premier League in which case the loan notes will convert at 15 pence, if the company has not made repayment by that date.

8. Post Balance Sheet Events

During January 2007 the Club purchased players for a total maximum consideration of £6.8 million and sold players for £1.6 million.

On 28 February 2007 the company purchased 100% of the ordinary shares of USE (Sheffield) Limited for a consideration of £32,041. In addition the company was assigned a debt in the sum of £2.44 million due from USE (Sheffield) Limited to United Scarborough Estates Limited which was repaid on 1 March 2007. USE (Sheffield) Limited had net assets of £1 at the date of acquisition.

9. The financial information for the six months ended 31 December 2006 and 31 December 2005 contained within this report is unaudited. The financial information for the year ended 30 June 2006, which does not constitute statutory accounts within the meaning of Section 240(5) of the Companies Act 1985 has been extracted from the statutory accounts of the Company for that period which have been delivered to the Registrar of Companies and restated for the impact of the prior year adjustment described in note 2 above. The audit report on those accounts was unqualified.
10. Copies of this report will be sent to shareholders and will be available from the Secretary, Sheffield United plc, Bramall Lane, Sheffield S2 4SU.





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