

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should immediately consult an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or transferred all of your Ordinary Shares in Sheffield United plc, please send this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold part of your registered holding of Ordinary Shares in Sheffield United plc, please contact your stockbroker, bank or agent with whom the sale or transfer was effected immediately and refer to the instructions regarding split applications set out on the Application Form. The accompanying Application Form must not be forwarded into the United States, Canada, Australia, Japan or the Republic of Ireland.

A copy of this document, which comprises a prospectus relating to the Company, prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Market Act 2000, has been made available to the public as required by the Prospectus Rules. This document has been approved by the Financial Services Authority under sections 87 A-D of the Financial Services and Markets Act 2000.

Application will be made for the Offer Shares to be admitted to trading on AIM.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

Sheffield United plc

(incorporated in England and Wales under the Companies Act 1985 with registered number 396956)

Open Offer of up to 71,242,565 new Ordinary Shares at 15p per share

Proposed acquisition

and

Waiver of mandatory offer requirements under the City Code

The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the applicable securities laws of any state of the United States or any province or territory of Canada, Japan, Australia or the Republic of Ireland. Accordingly, unless a relevant exemption from such requirements is available, the Offer Shares may not, subject to certain exceptions, be offered, sold, taken up, re-sold or delivered, directly or indirectly, within the United States, Canada, Japan, Australia or the Republic of Ireland or in any other country, territory or possession where to do so may contravene local securities laws or regulations. Shareholders who believe that they, or persons on whose behalf they hold Ordinary Shares, are eligible for an exemption from such requirements should refer to Part II of this document to determine whether and how they may participate. Overseas Shareholders and any person (including, without limitation, nominees, custodians and trustees) who has a contractual or other legal obligation to forward this document or an Application Form to a jurisdiction outside the UK should read paragraph 6 of Part II of this document.

KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting for Sheffield United plc in relation to the Open Offer and the Code Waiver and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of KBC Peel Hunt or for advising any other person on the contents of this document or any other matter in relation to the Open Offer or the Code Waiver.

The latest time for application and payment in full under the Open Offer is 3.00 p.m. on 2 March 2006 and the procedure for application and payment is set out in Part II of this document. Applications under the Open Offer may only be made on the enclosed Application Form which is personal to the person(s) named thereon and may not be assigned or transferred except to satisfy *bona fide* market claims.

Notice of an Extraordinary General Meeting of Sheffield United plc to be held at the Hfs Millennium Suite, Bramall Lane, Sheffield S2 4SU on 3 March 2006 at 11.00 a.m. is set out at the end of this document.

Shareholders are requested to complete and return the enclosed form of proxy to the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible but in any event, to be valid, so as to arrive no later than 11.00 a.m. on 1 March 2006, whether or not they propose to be present at the Extraordinary General Meeting. The return of the form of proxy will not preclude a member from attending and voting at the Extraordinary General Meeting.

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SUMMARY

This summary should be read as an introduction to the prospectus. Any decision to invest in transferable securities should be based on consideration of the prospectus as a whole by the investor.

Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who are responsible for the summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the prospectus.

Key Information

The Company intends to raise up to approximately £10.7 million before expenses by way of an Open Offer of new Ordinary Shares to Qualifying Shareholders.

Scarborough (a company controlled by K C McCabe) has agreed to underwrite £8,350,000 of the amounts to be raised under the Open Offer and Craftglen (a company controlled by J L Burnley) together with Green Piling (a company in which D Green, a director of the Club, has a significant interest) have each agreed to underwrite £200,000 of the amounts to be raised under the Open Offer.

The Panel has ruled that Scarborough and Craftglen (but not Green Piling) together with certain of their connected parties constitute a concert party with regard to the Company's share capital. K C McCabe and his connected persons currently have a beneficial interest in Ordinary Shares of 66,631,320 representing 46.76 per cent. of the issued share capital of the Company, and a non-beneficial interest of 698,040 representing a further 0.49 per cent. of the issued share capital of the Company.

Under the City Code, a person who already holds shares which carry between 30 and 50 per cent. of the voting rights may not, except with the consent of the Panel acquire further shares without having to make a general offer to all of the other Shareholders to acquire their Ordinary Shares.

Depending on the levels of take up by Qualifying Shareholders of their entitlements to Offer Shares under the Open Offer, the aggregate interests of the members of the Concert Party in the voting rights of the Company following the Open Offer may increase to approximately 62.7 per cent. Normally, they would be obliged to make a general offer to all Shareholders to acquire their shares but in this instance the Panel has agreed to waive this obligation subject to the approval of the Independent Shareholders.

The Underwriting is also conditional on, amongst other things, the Independent Shareholders approving the Panel's waiver. The Independent Directors are therefore seeking the approval of the Panel's waiver by the Independent Shareholders and this is Resolution 1 which is to be proposed at the Extraordinary General Meeting to be held at the Hfs Millennium Suite, Bramall Lane, Sheffield S2 4SU on 3 March 2006.

The Open Offer

The Open Offer is being made to Qualifying Shareholders on the following basis:

1 Offer Share for every 2 Existing Ordinary Shares

held at close of business on the Record Date, at a price of 15 pence per share, rounded down to the nearest whole number of Offer Shares. Fractions of Offer Shares will not be allotted to Qualifying Shareholders under the Open Offer but will be aggregated for the purposes of the Underwriting Agreement.

Qualifying Shareholders may apply for any number of Offer Shares either less than or in excess of their pro-rata entitlement. Applications for Offer Shares in excess of a Qualifying Shareholders pro-rata entitlement will only be satisfied to the extent that other Qualifying Shareholders do not apply for their pro-rata entitlement in full, but all applications for excess shares will be allocated in the absolute discretion of the Company.

Background to and principal terms of the Acquisition

The Sheffield United academy opened in 2002. Part funded by a grant from the Football Foundation, the academy has become the training base for the Club's teams. The facilities are available and used by community groups and third parties at commercial rates. The facilities available for hire include indoor and outdoor pitches and a small function room. In September 2005, the "Impact" health and fitness club opened at the site. The previous social club facility was part converted and now houses a 45 station gym and juice bar together with changing facilities and a lounge bar. This development forms part of the strategy agreed by the Directors which is being implemented by the Group which includes the development of business ventures that are not contingent on the playing success of the Club's first team. The Directors believe that the Acquisition will be the flagship of the Group's Impact health and fitness brand. The Directors also believe that following the implementation of a number of cost saving measures the Acquisition will be profitable.

Based at the football ground in Staines which is located in a residential suburb close to the centre of Staines, the Thames Club is a health and fitness club with facilities that include an 85 station gymnasium, a 20 metre pool and sauna, a 300 capacity function suite, a sports bar and other associated facilities.

The Thames Club was constructed at a cost of £4.8 million and was opened in March 2003. It currently has approximately 2,160 members and employs more than 40 staff.

A summary of the latest unaudited management accounts for the nine month period ended 30 November 2005 shows the following:

| | <i>9 months to 30 November 2005 £'000</i> |
|---|---|
| Thames Club Limited turnover | 1,024 |
| Thames Club Limited loss on ordinary activities before taxation | (48) |
| Thames Club Limited fixed assets | 97 |
| Thames Club Limited current assets | 260 |
| Wheatshaf Park (Staines) Limited fixed assets | 4,250 |

Included in the loss on ordinary activities is the charge for a rental payment of £0.131 million for the property which is being acquired by the Club as part of the Acquisition.

The principal terms of the Acquisition can be summarised as follows:

- the Acquisition will comprise of the entire issued share capital of Thames Club Limited and also the freehold property; and
- the consideration payable shall be a sum of £4,000,000 payable in cash on completion of the Acquisition Agreement.

Reasons for the Open Offer and use of the proceeds

In September 2004, the Company raised approximately £5,284,000 through an open offer which was underwritten by Scarborough. The net proceeds of the fundraising were applied to reduce the Company's short term indebtedness and to fund additional player wages in order to better position the Club to gain promotion to the Premier League.

Despite the additional investment the Club failed to achieve promotion in the 2004/05 season.

After the close of the 2004/05 season the Directors received an offer of at least £4,000,000 for one of the Club's players. Having assessed the strength of the Club and its position with its competitors the Directors rejected the offer. Instead, the Directors decided to retain the existing squad, as far as practicable, and invest further in strengthening the football team beyond that envisaged at the time of the September 2004 fundraising, in order to achieve promotion to the Premier League. The Club are currently in second place in the Championship which would secure the second of two automatic promotion positions to the Premier League.

The Directors also decided that an infilling corner stand at the football club's stadium should be constructed which would provide approximately 2,000 additional seats, give the stadium a more finished appearance and increase the capacity to approximately 32,750. The expected cost of this development is £2,750,000.

The Company has also applied for planning consent for a 146 bedroom hotel incorporating two restaurants, a bar and leisure facility which would be constructed next to the new corner stand. If planning permission is obtained work on the construction of the hotel is planned to commence in May 2006. However, the corner stand should be completed before the hotel construction can commence for construction cost efficiencies.

The Company has also entered into a new financing agreement with the Group's bankers, Bank of Scotland, which has extended the borrowings available to the Company by £2,500,000.

Accordingly, the Directors have decided to raise additional capital through the Open Offer and should the Proposals be approved by Shareholders at the Extraordinary General Meeting, it is the intention to apply the proceeds from the net underwritten amount in the following ways:

- £2,750,000 to finance the cost of development of the corner stand;
- £1,000,000 to partially fund the cost of the Acquisition; and
- the balance to be applied to the cost of funding the additional investment in player acquisitions and players' wages and for working capital purposes.

Any amounts raised in excess of the net underwritten amount will be used to fund other business projects of the Company including the proposed hotel development at Bramall Lane and for working capital purposes.

Expected timetable of principal events

| | |
|--|--------------------------------------|
| Record date for the Open Offer | close of business on 3 February 2006 |
| Latest time for splitting Application Forms (to satisfy <i>bona fide</i> market claims only) | 3.00 p.m., 28 February 2006 |
| Latest time for receipt of forms of proxy | 11.00 a.m., 1 March 2006 |
| Latest time for receipt of completed Application Forms and payment in full | 3.00 p.m., 2 March 2006 |
| Extraordinary General Meeting | 11.00 a.m., 3 March 2006 |
| Admission to AIM effective and dealings commence in Offer Shares | 6 March 2006 |
| Crediting of CREST accounts | 6 March 2006 |
| Expected date of completion of the Acquisition | 6 March 2006 |
| Expected date of despatch of share certificates for Offer Shares | by 20 March 2006 |

Directors of the Company

The Directors of the Company are as follows:

Kevin Charles McCabe (Executive Chairman)
Jason Rockett (Chief Executive Officer)
Mark Thomas Fenoughty (Chief Operating Officer)
Michael Douglas Dudley (Non-executive Director)
Andrew James Laver (Non-executive Director)
John Lewis Burnley (Non-executive Director)

The business of the Group

The Group's business comprises of the following principal areas:

- professional football and retail sales
- leisure including sponsorship, royalties, merchandising, advertising and conferencing and banqueting
- Blades enterprise centre
- property ventures including the Club's academy and the Company's jointly owned property company, United Scarborough Estates Group Limited
- investments in China including the Hainan Academy and the proposed football club

Financial information on the Group

Consolidated profit and loss account

| | <i>Years ended 30 June</i> | | |
|--|----------------------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Turnover | | | |
| Group and share of joint venture | 13,039 | 11,837 | 12,999 |
| Less: Share of joint venture's turnover | (159) | – | – |
| Continuing businesses | 12,880 | 11,837 | 12,999 |
| Cost of sales | (9,592) | (8,980) | (9,326) |
| Gross (loss)/profit | 3,288 | 2,857 | 3,673 |
| Administrative expenses | (4,777) | (4,660) | (4,364) |
| Other operating income | 437 | 379 | 389 |
| | (4,340) | (4,281) | (3,975) |
| Continuing businesses: | | | |
| Operating (loss)/profit before amortisation of cost of players' registrations and cost of terminating players' contracts | (334) | (706) | 524 |
| Amortisation and impairment of cost of players' registrations | (624) | (409) | (586) |
| Cost of terminating players' contracts | (94) | (309) | (123) |
| Football League Pension and Life Assurance Scheme contribution shortfall | – | – | (117) |
| | (1,052) | (1,424) | (302) |
| Operating loss | (1,052) | (1,424) | (302) |
| Share of operating profit in joint venture | 124 | – | – |
| Profit on disposal of players registrations | 374 | 406 | 486 |
| Profit/(loss) on ordinary activities before interest | (554) | (1,018) | 184 |
| Net interest payable | (661) | (608) | (595) |
| Loss on ordinary activities before taxation | (1,215) | (1,626) | (411) |
| Taxation | (9) | – | – |
| Loss on ordinary activities for the year after taxation | (1,224) | (1,626) | (411) |
| Retained loss for the financial year | (1,224) | (1,626) | (411) |
| Loss per share on ordinary activities | | | |
| Basic | £(0.01) | £(0.02) | £(0.01) |

Risk Factors

The following risk factors should be carefully considered by the Qualifying Shareholders when deciding what action to take in relation to the Open Offer and the Resolutions to be proposed at the Extraordinary General Meeting.

Risks relating to the Company, the Group, the football market and the commercial property market generally

- **Team Performance**
The success of the Group's business is dependant, to a significant extent, on the Club's first team performance. Injuries, whether temporary or career ending, to key players could have a detrimental effect on football performance, as can events on the football field.
- **Attraction and retention of key employees**
The Club is substantially dependant on retaining and incentivising members of its management team and playing staff. Whilst it has entered into employment arrangements with each of its key personnel, the retention of their services cannot be guaranteed.
- **Control of contractual obligations**
The financial success of the Company is affected by contracts negotiated between the Football League and the relevant broadcasting organisations and Football League sponsors. The Company is not necessarily a party to those contracts and may not have any direct influence on their outcome.
- **Property prices in the UK**
The success of United Scarborough Estates Group Limited, the joint venture in which the Company has a 50 per cent. shareholding, is contingent upon the availability of appropriately priced commercial properties in the UK.
- **Operating results**
The Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, Shareholders should not rely on comparisons with the Group's results to date as an indication of the future performance of the Group.
- **Requirements for further funds**
The Company may need to raise further funds in the future to finance the working capital requirements of the Group in the longer term. There is no guarantee that additional funds can be raised when necessary. This risk factor does not impact upon the statement made by the Company and the Directors in paragraph 22 of Part VI of this prospectus.

Risk relating to the Acquisition

- **Financial performance**
The financial success of the Acquisition will depend on whether the Group can retain and increase its number of customers and also implement financial savings.
- **Health club industry**
The health club industry is mature and any future changes in customer trends in the industry could affect the financial success of the Acquisition.

Risk relating to the Ordinary Shares

- **Potentially fluctuating share price**
The share prices of public companies operating in the sports sector are often subject to significant fluctuations.

- Share price effect of sales of Ordinary Shares
The market price of Ordinary Shares could decline significantly if Shareholders wish to sell more shares than investors wish to buy or as a result of any sales of Ordinary Shares.
- Limited liquidity
There may not be a liquid market in the Ordinary Shares.
- Substantial sales of Ordinary Shares could cause the price of Ordinary Shares to decline
There can be no assurance that certain Directors and executive officers of the Company or other Shareholders will not elect to sell their Ordinary Shares. The market price of Ordinary Shares could decline as a result of any sales of such Ordinary Shares or as a result of the perception that these sales may occur.

RISK FACTORS

In addition to the other information presented in this prospectus, the following risk factors should be carefully considered by Shareholders when deciding what action to take in relation to the Open Offer of new Ordinary Shares and the Resolutions to be proposed at the Extraordinary General Meeting and by others when deciding whether to make an investment in the Company. Additional risks and uncertainties not presently known to the Directors, or that the Board currently considers immaterial, may also adversely affect the business of the Group and the trading price of the Ordinary Shares. If any of the risks actually occurs, the business, financial condition or results of future operations of the Group could be materially adversely affected. In that case, the trading price of the Ordinary Shares could decline and holders of the Ordinary Shares may lose all or part of their investments. Before making any investment decision, prospective investors are advised to consult an independent advisor authorised under FSMA who specialises in advising upon investments.

The risks and uncertainties are described under the following general categories:

- Risks relating to the Company, the Group, the football market and the commercial property market generally;
- Risks relating to the Acquisition; and
- Risks relating to the Ordinary Shares.

RISKS RELATING TO THE COMPANY, THE GROUP, THE FOOTBALL MARKET AND THE COMMERCIAL PROPERTY MARKET GENERALLY

Team Performance

The success of the Group's business is dependant, to a significant extent, on the Club's first team performance. Injuries, whether temporary or career ending, to key players could have a detrimental effect on football performance, as can events on the football field.

Attraction and retention of key employees

The Club is substantially dependant on retaining and incentivising members of its management team and playing staff. Whilst it has entered into employment arrangements with each of its key personnel, the retention of their services cannot be guaranteed. The loss of the services of key personnel could have an adverse impact on the Club's success.

Control of contractual obligations

The financial success of the Company is affected by contracts negotiated between the Football League and the relevant broadcasting organisations and Football League sponsors. The Company is not necessarily a party to those contracts and may not have any direct influence on their outcome.

Property prices in the UK

The success of United Scarborough Estates Group Limited, the joint venture in which the Company's has a 50 per cent. shareholding, is contingent upon the availability of appropriately priced commercial properties in the UK.

Operating results

The Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, Shareholders should not rely on comparisons with the Group's results to date as an indication of the future performance of the Group. Factors that may affect the Group's operating results include a downturn in the performance of the first team and their results, an increased level of costs and expenses as the Club strengthens its playing staff and a fall in the demand for the conferencing and banqueting services provided.

Requirements for further funds

The Company may need to raise further funds in the future to finance the working capital requirements of the Group in the longer term. The requirement of such further funding will be dependent, among other things, on the commercial performance of the Club and the playing performance of the Club's first team. There can be no guarantee or assurance that additional funds can be raised when necessary. This risk factor does not impact upon the statement made by the Company and the Directors in paragraph 22 of Part VI of this prospectus.

RISKS RELATING TO THE ACQUISITION

Financial Performance

The financial success of the Acquisition will depend on whether the Group is able to retain the existing customers and also increase the number of new customers. It will also depend on whether the Group can implement any financial savings.

Health Club Industry

The health club industry is a mature market and any future changes in customer trends in the industry could affect the financial success of the Acquisition.

RISKS RELATING TO THE ORDINARY SHARES

Potentially fluctuating share price

The share prices of public companies operating in the sports sectors are often subject to significant fluctuations. Following the Open Offer, the market price of the Ordinary Shares may vary.

Share price effect of sales of Ordinary Shares

The market price of Ordinary Shares could decline significantly if Shareholders wish to sell more shares than investors wish to buy or as a result of any sales of Ordinary Shares.

Limited liquidity

There may not be a liquid market in the Ordinary Shares. Liquidity in the Ordinary Shares has been limited in the past and holders of the Ordinary Shares may not be able to easily realise their holding of Ordinary Shares in the Company through trading on AIM, or may receive less than the amount paid.

Substantial sales of Ordinary Shares could cause the price of Ordinary Shares to decline

There can be no assurance that certain Directors and executive officers of the Company or other Shareholders will not elect to sell their Ordinary Shares. The market price of Ordinary Shares could decline as a result of any sales of such Ordinary Shares or as a result of the perception that these sales may occur. If these or any other sales were to occur, the Company may in the future have difficulty in offering or selling Ordinary Shares at the time or at a price it deems appropriate.

The risk factors listed above are not presented in any order of priority and do not necessarily comprise all those risks faced by the Group but are the ones judged as material by the Directors.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|--|--------------------------------------|
| Record Date for the Open Offer | close of business on 3 February 2006 |
| Latest time for splitting Application Forms (to satisfy <i>bona fide</i> market claims only) | 3.00 p.m., 28 February 2006 |
| Latest time for receipt of forms of proxy | 11.00 a.m., 1 March 2006 |
| Latest time for receipt of completed Application Forms and payment in full | 3.00 p.m., 2 March 2006 |
| Extraordinary General Meeting | 11.00 a.m., 3 March 2006 |
| Admission to AIM effective and dealings commence in Offer Shares | 6 March 2006 |
| Crediting of CREST accounts | 6 March 2006 |
| Expected date of completion of the Acquisition | 6 March 2006 |
| Expected date of despatch of share certificates for Offer Shares | by 20 March 2006 |

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

| | |
|----------------------------|---|
| “Act” | the Companies Act 1985 (as amended) |
| “Acquisition” | the proposed acquisition by the Club of the Thames Club from the Vendor pursuant to the terms of the Acquisition Agreement |
| “Acquisition Agreement” | the draft agreement proposed to be entered into between the Vendor and the Club relating to the Acquisition, the principal terms of which are described in Part V of this document |
| “Admission” | the admission of the Offer Shares to trading on AIM |
| “AIM” | the Alternative Investment Market of the London Stock Exchange |
| “AIM Rules” | the rules for AIM companies as published by the London Stock Exchange |
| “Application Form” | the application form in respect of the Open Offer which accompanies this document |
| “Approval” | the approval of the Acquisition pursuant to Resolution 4 of the Resolutions |
| “Bank of Scotland” | The Governor and Company of the Bank of Scotland, a subsidiary of HBOS plc |
| “Board” | the board of directors of the Company |
| “Capita Registrars” | Capita Registrars, a trading division of Capita IRG PLC |
| “City Code” | The City Code on Takeovers and Mergers published by the Panel |
| “Club” | The Sheffield United Football Club Limited |
| “Code Waiver” | the waiver, referred to in the letter from the Independent Directors, which forms Part I of this document, of Rule 9 of the City Code in connection with the Underwriting and/or the Open Offer |
| “Concert Party” | K C McCabe, Scarborough, Scarborough Group Holdings, JL Burnley, Craftglen and SDG Caledonia Limited |
| “Craftglen” | Craftglen Limited, a company wholly owned by J L Burnley |
| “CREST” | the system for trading shares in uncertificated form |
| “CRESTCo” | CRESTCo Limited, the operator of CREST |
| “Directors” | the directors of the Company, whose names are set out in paragraph 6(a) of Part VI of this document |
| “EEA States” | the states which are contracting parties to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being |
| “Enlarged Share Capital” | the issued Ordinary Shares following the Open Offer |
| “Existing Ordinary Shares” | the 142,485,131 existing issued Ordinary Shares |

| | |
|---------------------------------|--|
| “Extraordinary General Meeting” | the extraordinary general meeting of the Company convened for 3 March 2006, or any adjournment thereof, notice of which is set out at the end of this document |
| “FSMA” | the Financial Services and Markets Act 2000, as amended |
| “Green Piling” | Green Piling Limited, a company in which David Green, a director of the Club, has a significant shareholding |
| “Group” | the Company and its subsidiary undertakings |
| “Independent Directors” | the Directors other than K C McCabe, J L Burnley and J Rockett |
| “Independent Shareholders” | the Shareholders, other than members of the Concert Party and the connected persons of K C McCabe (details of which are set out in note(2) to paragraph 6(c) of Part VI of this document) and Scott McCabe and Simon McCabe |
| “KBC Peel Hunt” | KBC Peel Hunt Ltd |
| “London Stock Exchange” | London Stock Exchange plc |
| “Offer Price” | 15p per Offer Share |
| “Offer Shares” | the up to 71,242,565 new Ordinary Shares proposed to be issued pursuant to the Open Offer |
| “Open Offer” | the conditional invitation to Qualifying Shareholders to subscribe for the Offer Shares on the terms and subject to the conditions set out in Part II of this document and the Application Form |
| “Ordinary Shares” | ordinary shares in the capital of the Company which have a nominal value of 10p each |
| “Overseas Shareholders” | holders of Existing Ordinary Shares with registered addresses outside the United Kingdom or who are citizens of, incorporated in, registered in or otherwise resident in, countries outside the United Kingdom |
| “Panel” or “Takeover Panel” | The Panel on Takeovers and Mergers |
| “Proposals” | the Open Offer, the Code Waiver and the Approval |
| “Prospectus Rules” | the prospectus rules brought into effect on 1 July 2005 and made by the Financial Services Authority pursuant to FSMA |
| “Qualifying Shareholders” | holders of Ordinary Shares whose names appear on the register of members of the Company on the Record Date, other than certain Overseas Shareholders referred to in the paragraph headed “Overseas Shareholders” in Part II of this document |
| “Record Date” | the close of business on 3 February 2006 |
| “Resolutions” | the resolutions to be proposed at the Extraordinary General Meeting |
| “Scarborough” | Scarborough Property Company plc, a company indirectly controlled by K C McCabe and his immediate family |
| “Scarborough Group” | Scarborough Group Limited, a company controlled by K C McCabe and his immediate family |

| | |
|-------------------------------------|--|
| “Scarborough Group Holdings” | Scarborough Group Holdings plc, a company indirectly controlled by K C McCabe and his immediate family |
| “SDG Caledonia” | SDG Caledonia Limited, a company indirectly controlled by K C McCabe and his immediate family |
| “Senior Managers” | Neil Warnock, Stuart McCall and Terry Robinson, further details of whom are set out in Part VI of this prospectus |
| “Shareholders” | holders of Ordinary Shares |
| “Sheffield United” or “the Company” | Sheffield United plc |
| “SPC Group” | SPC Group Plc, a subsidiary company of Scarborough and which is indirectly controlled by K C McCabe and his immediate family |
| “Thames Club” | the Thames health and fitness club business currently being operated by Thames Club Limited (a company which is connected with K C McCabe and his immediate family) together with the freehold property from which the business operates |
| “UK Listing Authority” | the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA |
| “Underwriters” | Scarborough, Craftglen and Green Piling |
| “Underwriting” | the proposed underwriting of 58,333,332 of the Offer Shares by the Underwriters on the terms of the Underwriting Agreement |
| “Underwriting Agreement” | the conditional agreement dated 8 February 2006 between the Underwriters, the Company and KBC Peel Hunt relating to the Underwriting and other matters, further details of which are set out in paragraph 15 of Part VI of this document |
| “USE” | United Scarborough Estates Group Limited |
| “Vendor” | Wheatsheaf Park (Staines) Limited, a company which is connected with K C McCabe and his immediate family |

PART I

LETTER FROM THE INDEPENDENT DIRECTORS

Sheffield United plc

(Incorporated and registered in England and Wales – No. 396956)

Directors:

Kevin Charles McCabe (Executive Chairman)
Jason Rockett (Chief Executive Officer)
Mark Thomas Fenoughty (Chief Operating Officer)
Michael Douglas Dudley (Non-executive Director)
Andrew James Laver (Non-executive Director)
John Lewis Burnley (Non-executive Director)

Registered and head office:

Bramall Lane
Sheffield S2 4SU

8 February 2006

To Shareholders

Dear Shareholder

1 FOR 2 OPEN OFFER, PROPOSED ACQUISITION AND WAIVER OF MANDATORY OFFER REQUIREMENTS UNDER THE CITY CODE

Introduction

It was announced today that the Company intends to raise up to approximately £10.7 million (£10.5 million net of expenses) through the issue of up to 71,242,565 new Ordinary Shares by way of an Open Offer at a price of 15p per share. Scarborough and Craftglen (companies controlled by Kevin McCabe and John Burnley respectively), have agreed, together with a proposed new investor, Green Piling, to underwrite £8.75 million in aggregate of the amounts to be raised by the Open Offer.

KC McCabe and his connected persons currently have a beneficial interest in Ordinary Shares of 66,631,320, representing 46.76 per cent. of the issued share capital of the Company, and a non-beneficial interest of 698,040 Ordinary Shares, representing a further 0.49 per cent. of the issued share capital of the Company. In addition, the Panel on Takeovers and Mergers has ruled that the Underwriters (other than Green Piling) together with certain of their connected parties constitute a concert party with regard to the Company's share capital. Under the City Code, a person who already holds shares which carry between 30 and 50 per cent. of the voting rights in the Company may not, except with the consent of the Takeover Panel, normally acquire further shares without making a general offer to the other Shareholders to acquire their Ordinary Shares. Accordingly, the Underwriting is conditional, *inter alia*, on the approval of Independent Shareholders and a resolution to approve the waiver by the Takeover Panel of this mandatory requirement, which would otherwise arise, is to be proposed at the Extraordinary General Meeting to be held at 11.00 a.m. on 3 March 2006, as set out in the notice at the end of this document.

It was also announced today that the Club proposes to enter into an agreement to acquire the Thames Club for a cash consideration of £4 million from Wheatsheaf Park (Staines) Limited. This company is a subsidiary of SDG Caledonia which is a company of which 60 per cent. of the issued ordinary share capital is owned by the trustees of the White House IIP Trust and 10 per cent. of the issued ordinary share capital is owned by John Burnley. The trustees of the White House IIP Trust include Kevin McCabe and his wife, Sandra McCabe, and John Burnley and the beneficiaries of such trust are members of Kevin McCabe's family. Because the Vendor, is therefore a company connected with K C McCabe, the entry into the Acquisition Agreement is subject to approval by an ordinary resolution of Shareholders pursuant to section 320 of the Companies Act 1985 which is also to be proposed at the Extraordinary General Meeting.

Due to Kevin McCabe's and John Burnley's positions as directors of Scarborough and Jason Rockett's position as a director of Scarborough Development Group plc (a company with which Kevin McCabe is also connected), it has been determined that they are not independent directors for the purpose of, and they have not participated in, the Independent Directors' recommendation in relation to the Code Waiver resolution as set out in paragraph 11 of this letter. In addition, as announced today, the Underwriting and the Acquisition constitute related party transactions under the AIM Rules.

The net underwritten amount to be raised under the Open Offer of approximately £8.55 million will be applied firstly to finance the cost of development of the corner stand, and secondly to partially fund the Acquisition and the balance would be used to part fund the additional player wages to enable the Club to be better positioned to gain promotion to the Premier League and for working capital purposes. Any amounts raised in excess of that underwritten net amount will be used to fund other business projects including the proposed hotel development at Bramall Lane and for working capital purposes.

The purpose of this document is to provide you with information on the Proposals and seek your approval for them at the Extraordinary General Meeting. This document also explains how Shareholders may participate in the Open Offer.

Details of the Open Offer and the Code Waiver are set out in paragraphs 2 and 6 respectively of this Part I. The Open Offer is described in more detail in Part II of this document, which also includes the terms and conditions of the Open Offer. Details of the Underwriting Agreement are set out in paragraph 15(a) of Part VI of this document. Further information on the Acquisition is set out in paragraph 3 of this Part I and the principal terms of the Acquisition Agreement are set out in Part V of this document.

2. Details of the Open Offer

The Open Offer is intended to raise up to approximately £10.7 million (£10.5 million net of expenses) by the issue of up to 71,242,565 new Ordinary Shares. Qualifying Shareholders are being given the opportunity to subscribe for Offer Shares under the Open Offer at a price of 15p per share, payable in full on acceptance. The minimum, *pro rata* entitlement of Qualifying Shareholders under the Open Offer is calculated on the following basis:

1 Offer Share for every 2 Existing Ordinary Shares

and so in proportion for any greater number of Ordinary Shares held on the Record Date. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. The fractional entitlements which would otherwise have arisen will not be issued to Qualifying Shareholders but will be aggregated for the purposes of the Underwriting Agreement or else ignored.

Qualifying Shareholders may apply for any number of Offer Shares, either less than or in excess of their *pro rata* entitlement. However, in the case of applications for Offer Shares in excess of the *pro rata* entitlement, the total number of Offer Shares will not be increased in response to such excess applications. Excess applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their *pro rata* entitlement in full. Offer Shares will be allocated in response to excess applications in the absolute discretion of the Company.

The Offer Shares will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

It is expected that, subject to Admission, dealings in the Offer Shares will commence on 6 March 2006.

The Open Offer is conditional, *inter alia*, on the passing of the Resolutions and Admission becoming effective.

Under the terms of the Underwriting Agreement, the Underwriters have agreed to subscribe for up to 58,333,332 of any Offer Shares which are not taken up by Qualifying Shareholders under the Open Offer. The Underwriting covers approximately 82 per cent. of the Offer Shares. The Underwriting Agreement provides that any take-up of entitlements under the Open Offer by the Underwriters or their connected

persons in their capacity as Shareholders will be taken into account in determining the number of Offer Shares, if any, which the Underwriters are required to subscribe for pursuant to their Underwriting commitments.

The Offer Price represents a discount of approximately 31 per cent. to the closing middle market price of 21.75 pence per Ordinary Share on 7 February 2006 (the last practicable date prior to the date of publication of this document).

Further information on the Open Offer, including its terms and conditions and the detailed procedure for application and payment, is set out in Part II of this document. Further details of the Underwriting Agreement are set out in paragraph 15(a) of Part VI of this document.

3. Background to and principal terms of the Acquisition

The Sheffield United academy opened in 2002. Part funded by a grant from the Football Foundation, the academy has become the training base for the Club's teams. The facilities are available and used by community groups and third parties at commercial rates. The facilities available for hire include indoor and outdoor pitches and a small function room. In September 2005, the "Impact" health and fitness club opened at the site. The previous social club facility was part converted and now houses a 45 station gym and juice bar together with changing facilities and a lounge bar. This development forms part of the strategy agreed by the Directors which is being implemented by the Group which includes the development of business ventures that are not contingent on the playing success of the Club's first team. The Directors believe that the Acquisition will be the flagship of the Group's Impact health and fitness brand.

Based at the football ground in Staines which is located in a residential suburb close to the centre of Staines, the Thames Club is a health and fitness club with facilities that include an 85 station gymnasium, a 20 metre pool and sauna, a 300 capacity function suite, a sports bar and other associated facilities. The Thames Club was constructed at a cost of £4.8 million and was opened in March 2003. It is operated by Thames Club Limited and the freehold property is owned by its parent company, Wheatsheaf Park (Staines) Limited. It currently has approximately 2,160 members and employs more than 40 staff.

A summary of the latest unaudited management accounts for the nine month period ended 30 November 2005 show the following:

| | <i>9 months to 30 November 2005 £'000</i> |
|---|---|
| Thames Club Limited turnover | 1,024 |
| Thames Club Limited loss on ordinary activities before taxation | (48) |
| Thames Club Limited fixed assets | 97 |
| Thames Club Limited current assets | 260 |
| Wheatsheaf Park (Staines) Limited fixed assets | 4,250 |

Included in loss on ordinary activities is the charge for a rental payment of £0.131 million for the property which is being acquired by the Club as part of the Acquisition.

Having undertaken financial, legal and property due diligence on the Acquisition and completed a financial appraisal, the Directors believe it to be in the best interests of the Company to proceed with the Acquisition which is subject to shareholders approval.

The principal terms of the Acquisition are as follows:

- the Acquisition will comprise of the entire issued share capital of Thames Club Limited together with the freehold property; and
- the consideration payable shall be a sum of £4,000,000 payable in cash on completion of the Acquisition Agreement.

Further details of the Acquisition Agreement are set out in Part V of this document.

The Directors have agreed that £1,000,000 of the consideration for the Acquisition shall be paid from the net underwritten amount raised through the Open Offer and the remaining balance of £3,000,000 shall be provided by way of a term loan which is to be provided by the Bank of Scotland and which would only be drawn down following completion of the Open Offer and prior to the completion of the Acquisition Agreement. Consequently, if the Open Offer is not completed, the Club will not enter into the Acquisition Agreement and the Acquisition will not proceed.

4. Reasons for the Open Offer and use of the proceeds

In September 2004, the Company raised approximately £5,284,000 through an open offer which was underwritten by Scarborough. The net proceeds of the fundraising were applied to reduce the short-term indebtedness of the Group and to fund additional player wages to better position the Club to gain promotion to the Premier League. Despite the additional investment in player wages, the Club failed to achieve promotion in the 2004/2005 season.

After the close of the 2004/2005 season, the Directors received an offer of at least £4,000,000 for one of the Club's players. Having assessed the strengths of the Club in comparison with its competitors, the Directors rejected the offer and decided instead to retain the existing squad as far as practicable and invest in further team strengthening beyond that envisaged at the time of the September 2004 capital raising, with the objective of achieving promotion to the Premier League. This investment has taken the form of increased player wages and the payment of transfer fees where necessary to acquire players to improve the first team.

The Directors believe that the Hallam FM Kop, which has a capacity of 10,394 spectators, will need to be redeveloped in the coming years as the facilities within the stand are not to the same standard as the rest of the stadium, the overall capacity of which is 30,728. In particular, the concourse facilities are limited and the sight lines from more than 6,000 of the seats have a pillar in view. During any period of redevelopment, it is likely that the capacity of the kop would be restricted.

The Directors decided that an infilling corner stand should be constructed which would provide approximately 2,000 additional seats, give the stadium a more finished appearance and increase the capacity to approximately 32,750 in advance of the proposed development of the Hallam FM Kop. The planned stand is expected to cost approximately £2,750,000.

The Company has applied for detailed planning consent for a 146 bedroom hotel incorporating two restaurants, a bar and leisure facilities on land owned by the Club which abuts Bramall Lane and the Club's Global Windows stand. If the planning application is approved, construction of the hotel is planned to commence in May 2006. The construction of the hotel would increase the complexity and cost of building the corner stand and accordingly the Directors decided that the corner stand should be completed before the hotel construction commences.

In order to continue trading within its existing working capital facilities, the Company has also entered into a new financing agreement with the Group's bankers, Bank of Scotland, which has extended the borrowings available to the Company by £2,500,000.

The Directors believe that in order to facilitate the continued investment in strengthening the first team and the development of the stadium and in order to fund the Acquisition and for working capital purposes, further capital is required.

Accordingly, the Board has decided to raise additional capital through the Open Offer in which all Qualifying Shareholders are entitled to participate. Kevin McCabe (through Scarborough) and John Burnley (through his company Craftglen), who are both Directors, together with Green Piling (a company in which David Green, a director of the Club, has a significant interest), have agreed to partially underwrite the issue of Ordinary Shares. Scarborough has agreed to underwrite £8,350,000 of the amounts to be raised under the Open Offer and Craftglen and Green Piling have each agreed to underwrite £200,000 of the amounts to be raised under the Open Offer.

Due to their connected business interests, Kevin McCabe and John Burnley are considered to be acting in concert for the purposes of the City Code. The aggregate interests of Kevin McCabe and John Burnley and

their connected persons in the voting rights of the Company are currently approximately 48.3 per cent. Should the Proposals be approved by the Shareholders at the Extraordinary General Meeting, Mr McCabe and Mr Burnley and their connected persons will have interests of up to 126,003,740 Ordinary Shares (assuming Scott McCabe and Simon McCabe transfer to Scarborough Group Holdings 86,928 Ordinary Shares each as referred to in clause 11 (d) of Part VI of this document), being approximately 62.7 per cent. of the voting rights in the Company, depending on the level of take up by Qualifying Shareholders of their entitlements under the Open Offer.

Should the Proposals be approved by Shareholders at the Extraordinary General Meeting, it is the Board's intention to apply the proceeds from the net underwritten amount, firstly, as to £2,750,000 to finance the cost of development of the corner stand of the stadium and secondly, as to £1,000,000 to partially fund the cost of the Acquisition, and that the balance would be applied to the costs of funding the additional investment in players' wages and for working capital purposes. Any amounts raised in excess of the net underwritten amount will be used to fund other business projects of the Company including the proposed hotel development at Bramall Lane and for working capital purposes.

The effect of the Open Offer on the Group's audited consolidated balance sheet as at 30 June 2005 (if the Open Offer had been completed at that date) would have been to reduce, in the short term, the net debt of the Group as shown in such consolidated balance sheet by the amount of the net proceeds of the Open Offer. Similarly the receipt of the net proceeds would have had no immediate effect on the earnings of the Group as shown in the audited consolidated profit and loss account for the year ended 30 June 2005 other than the reduction in interest payable as a result of the reduction in indebtedness previously referred to. For the purposes of such statements, no account has been taken of the effects of the Acquisition.

If the Proposals are not approved by the Shareholders at the Extraordinary General Meeting, the Club will be forced to put in place short term debt funding (to the extent, if any, available) and ultimately to sell players to reduce costs.

5. Current trading and prospects

In the Group's results reported for the year ended 30 June 2005, operating losses before amortisation of cost of player registrations and cost of terminating players' contracts were reduced at £300,000 (30 June 2004: £700,000) and retained losses of £1,200,000 were also reduced compared to the previous year of £1,600,000.

A strategic decision was taken in summer 2005 to invest additional sums in players' wages enabling the Group to acquire players with Premier League experience including David Unsworth, Craig Short and Neil Shipperley. In addition, the first team squad has been strengthened with the acquisition on a permanent basis of Danny Webber, Paul Ifill, Bruce Dyer and, for a Club record fee of £1.5 million (together with a further £250,000 contingent upon future events), Ade Akinbiyi. The services of key players including Phil Jagielka and Paddy Kenny have been retained.

Since the results were announced, the Club has dropped to second place in the Championship. However, second place would secure the second of two automatic promotion positions and the Club is currently 11 points clear of the team which is in third place. The Club's average crowd, a key factor to the financial results of the Group, has increased since the preliminary announcement of the Group's results to 22,831. During this period the Club has acquired two players and may strengthen the team further without exceeding player and management wage budgets if the opportunity arises. The Directors believe that the Club is still well positioned to gain promotion to the Premier League in the 2005/2006 season.

The Group recently reported that its property joint venture, United Scarborough Estates Group Limited, had sold two properties raising profits of £1.6 million; the Group's share being £800,000, which will be reflected in the current financial year's profit and loss account. Nonetheless, the Directors have forecast that, in the absence of unforeseen circumstances, the Group will make an operating loss (including the share of operating profit in the joint venture) before taxation for the year ending 30 June 2006. The basis and assumptions underlying the forecast are set out in section C of Part IV of this document from which the information has been extracted together with letters from Grant Thornton UK LLP (the Company's auditors) and KBC Peel Hunt.

The Group has commenced the construction of the corner stand, which is expected to be completed by May 2006. The Company has also recently announced that it has exchanged contracts to acquire the Chengdu Five Bulls Football Club in China as part of the next stage of the Group's strategy to build a commercial business in the People's Republic of China. The contract is conditional on a number of points but the Company expects to complete the acquisition in February 2006.

6. City Code on Takeovers and Mergers

Pursuant to Rule 9 of the City Code, when any person, or group of persons acting in concert, acquires shares which, when taken together with shares already held by such person or persons, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, such person or persons, except with the consent of the Takeover Panel, is or are required to make a general offer to all shareholders in that company to acquire their shares.

Further, when any person, or group of persons acting in concert, already holds shares which carry between 30 per cent. and 50 per cent. of the voting rights of a company which is subject to the City Code, such person or persons, except with the consent of the Takeover Panel, may not normally acquire further shares without making a general offer to all shareholders in that company to acquire their shares.

Any person, or group of persons acting in concert, holding shares which carry more than 50 per cent. of the voting rights of a company which is subject to the City Code, is free to acquire further shares or rights over shares without making a general offer to all shareholders in that company to acquire their shares although individual members of a concert party will not be able to increase their percentage shareholding through a rule 9 threshold (as described in the previous two paragraphs) without Panel consent.

As stated above, the Underwriters have agreed to subscribe up to 58,333,332 of any Offer Shares which are not taken up by Qualifying Shareholders under the Open Offer. The members of the Concert Party (being K C McCabe, Scarborough, Scarborough Group Holdings, J L Burnley, Craftglen and SDG Caledonia Limited) are currently interested in aggregate in approximately 48.3 per cent. of the voting rights of the Company. Depending on the levels of take-up by Qualifying Shareholders of their entitlements to Offer Shares under the Open Offer, the aggregate interests of the members of the Concert Party in the voting rights of the Company following the Open Offer may increase to a maximum of approximately 62.7 per cent.

If the aggregate interests of the Concert Party in the voting rights of the Company following the Open Offer were to increase above their current percentage, the Concert Party would normally be obliged to make a general offer to all Shareholders to acquire their Ordinary Shares. However, in this instance, the Panel has agreed to waive this obligation which would otherwise arise as a result of certain members of the Concert Party subscribing for new Ordinary Shares pursuant to the Underwriting Agreement, if Resolution 1 is approved by Independent Shareholders on a poll at the Extraordinary General Meeting. To be passed, the Resolution 1 will require the approval of a simple majority of votes cast on that poll. The Concert Party will not be voting on Resolution 1 in respect of the shareholdings of its members.

It should be noted that the aggregate interest of the Concert Party in the voting rights of the Company following the Open Offer may exceed 50 per cent. In such event the Concert Party would be free to acquire further Ordinary Shares in the Company without being obliged to make a general offer to all Shareholders to acquire their Ordinary Shares although individual members of a concert party will not be able to increase their percentage shareholding through a rule 9 threshold (as described in the first two paragraphs of this paragraph 6) without Panel consent.

The current interests of the Concert Party in the voting rights of the Company and their expected maximum interests following the Underwriting, on the basis that the Underwriters are obliged to take up their underwriting commitments in full and that only the minimum underwritten amount is raised under the Open Offer, are set out in paragraph 11(c) of Part VI.

These are the details of the members of the Concert Party:

Kevin Charles McCabe, Scarborough, Scarborough Group Holdings and SDG Caledonia

Kevin McCabe (aged 57) began his career in 1964 in the construction industry with a company that became part of the Bovis Group. Mr McCabe is a director of the Company. He is a director and major shareholder in Scarborough Group, a holding company of Scarborough and Scarborough Group Holdings as well as other companies. He is also executive chairman of Teesland plc, a listed property management and fund management company; non-executive chairman of FairBriar plc, a residential development company and an executive director of certain subsidiary companies of the Bank of Scotland.

Scarborough's main business interests encompass property trading and joint venture transactions. Its issued ordinary share capital is owned as to 90.96 per cent. by Scarborough Group Holdings, which is a wholly owned subsidiary of Scarborough Group, as to 5.0 per cent. by Uberior Investments plc as to 1.50 per cent. each by Blairston Investments Limited and John Lewis Burnley and as to 1.03 per cent. by the Scarborough Executive Pension Scheme of which K C McCabe and Sandra McCabe are trustees. Its issued 'A' ordinary share capital is wholly owned by Uberior Investments plc. Its directors are J L Burnley, C M Di Ciacca, K C McCabe, S R McCabe, S C McCabe and D M Tandy. In the two financial years ended 28 February 2005, it generated, on a consolidated basis, profits before tax of £6.019 million and £13.343 million respectively on turnover of £22.502 million and £63.293 million. Its consolidated net assets amounted to £38.204 million at 28 February 2004 and £46.270 million at 28 February 2005.

Scarborough Group Holdings is an intermediate holding company wholly owned by Scarborough Group. Its directors are K C McCabe and Europa Director Limited. Scarborough Group Holdings was established as an intermediate holding company in February 2005 and financial information on the company and its subsidiaries has not yet been published.

Scarborough Group is a holding company owned as to 64.83 per cent. by K C McCabe, as to 8.52 per cent. by Sandra McCabe, as to 0.55 per cent. by Scott Richard McCabe and as to 0.55 per cent. by Simon Charles McCabe, as to 7.13 per cent. by the White House IIP Trust and as to 18.41 per cent. by the White House 1992 Trust in respect of both of which trusts K C McCabe is a trustee and the beneficiaries are members of K C McCabe's family. Its director is Europa Director Ltd of which K C McCabe, C M Di Ciacca, S R McCabe, S P McBride and D M Tandy are directors. Scarborough Group was established as a holding company in February 2005 and its consolidated net assets amounted to £53.729 million at 28 February 2005.

SDG Caledonia is a company owned as to 60 per cent. by the White House IIP Trust, and as to 10 per cent. each by J L Burnley, C M Di Ciacca, S P McBride and D M Tandy. The trustees of the White House IIP Trust include K C McCabe, Sandra McCabe and J L Burnley and the beneficiaries of such trust are members of K C McCabe's family. The directors of SDG Caledonia are K C McCabe, J L Burnley, C M Di Ciacca, S P McBride and D M Tandy. In the 17 month period from the date of incorporation to 28 February 2005, SDG Caledonia generated, on a consolidated basis, an operating loss (including share of joint ventures operating profit) of £4.730 million on turnover (including joint ventures) of £61.579 million. Its consolidated net liabilities amounted to £8.441 million at 28 February 2005. The principal activity of SDG Caledonia is the holding of investments and the Vendor is one of its subsidiaries.

Of KC McCabe's existing interest in the share capital of the Company, which amounts to 67,329,360 Ordinary Shares, 48,700,000 Ordinary Shares are held by Scarborough and 17,615,540 Ordinary Shares are held by Scarborough Group Holdings. Details of proposed transfers of Ordinary Shares to Scarborough Group Holdings and to the Vendor are set out in paragraphs 11(d) and 11(e) of Part VI of this document.

John Lewis Burnley and Craftglen

John Burnley (aged 61) began his career in 1961 with quantity surveyors Rex Procter & Partners. He became a partner in the architectural firm of Fletcher Ross and Hickling in 1978 before leaving to co-found Burnley Wilson Fish, a firm of chartered quantity surveyors, in 1980 and with whom he is still a partner.

Craftglen is a company wholly-owned by John Burnley and of which he is the sole director.

In addition to being a director of Craftglen, he is also a director of Scarborough Group and the property companies Scarborough and SPC Group.

As potential controllers of the Company, the Concert Party have indicated that their intentions following the completion of the Open Offer would be to continue the existing business activities of the Company and make no major changes to the business, including the redeployment of the fixed assets of the Company or the employment of its staff or the staff of the Group.

7. Board Structure

On 27 September 2005, the Group announced the appointment of Jason Rockett as Chief Executive Officer with effect from 1 November 2005.

Mr Rockett is a former professional footballer and a surveyor who is a director of the Scarborough Development Group plc, a property development company controlled by Kevin McCabe, where he has worked for the past 12 years.

His previous experience is consistent with the Group's strategy of building a leisure, services and property corporation with football as the core ingredient. In conjunction with Mark Fenoughty, recently appointed as Chief Operating Officer, he will be responsible for the day-to-day running of the business and continuing the strategy of generating revenues from non-football related ventures to support the Company's on-pitch activities. In addition he will assist Terry Robinson and Neil Warnock in maintaining the Club's current strong position in the Championship and working towards the ultimate goal of promotion to the Premier League.

There are no current plans to change the existing Board structure.

8. Extraordinary General Meeting

Notice of the Extraordinary General Meeting, which is to be held at the Hfs Millennium Suite, Bramall Lane, Sheffield S2 4SU at 11.00 a.m. on 3 March 2006, is set out at the end of this document. At this Extraordinary General Meeting, the Resolutions will be proposed as follows:

- (i) Resolution 1: an ordinary resolution will be proposed to approve the Code Waiver. As required by the Panel, the members of the Concert Party and the other persons who are not Independent Shareholders will abstain from exercising their voting rights in relation to Resolution 1 at the Extraordinary General Meeting in respect of their holdings of Ordinary Shares which amount in aggregate to approximately 48.4 per cent. of the Ordinary Shares;
- (ii) Resolution 2: an ordinary resolution will be proposed to approve an increase in the authorised share capital of the Company and to authorise the allotment of the Offer Shares;
- (iii) Resolution 3: a special resolution to disapply statutory pre-emption rights in respect of the Offer Shares; and
- (iv) Resolution 4: an ordinary resolution will be proposed to approve the entry into of the Acquisition Agreement with the Vendor, a company which is connected with K C McCabe.

9. Action to be taken

Open Offer

Qualifying Shareholders who wish to apply for Offer Shares under the Open Offer should follow the procedure for application set out in the letter from KBC Peel Hunt contained in Part II of this document and the instructions printed on the Application Form. Qualifying Shareholders who do not wish to apply for the Offer Shares under the Open Offer need take no further action.

Extraordinary General Meeting

Shareholders will find enclosed with this document a form of proxy for use at the Extraordinary General Meeting, at which the Resolutions as described above will be proposed. Whether or not Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete and return the form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event, to be valid, so as to be received by Capita Registrars, The Registry, 34 Beckenham Road,, Beckenham, Kent, BR3 4TU, not later than 11.00 a.m. on 1 March 2006. Completion and return of the form of proxy will not prevent Shareholders from attending the Extraordinary General Meeting and voting in person should they wish to do so.

10. Further information

Your attention is drawn to the further information set out in Parts II to VI of this document.

11. Board recommendations and voting intentions

The Board, which has consulted with KBC Peel Hunt in its capacity as Nominated Adviser to the Company, considers the Open Offer and the Acquisition to be fair and reasonable in so far as Shareholders are concerned. Accordingly, the Board recommends that you vote in favour of Resolutions 2, 3 and 4 to be proposed at the Extraordinary General Meeting (save that K C McCabe makes no recommendation in relation to Resolution 4 to be proposed at the Extraordinary General Meeting) as they and Shareholders connected with them intend to do in respect of their aggregate beneficial holdings of 84,719,371 Ordinary Shares representing approximately 59.46 per cent. of the existing issued ordinary share capital of the Company. In providing advice to the Board, KBC Peel Hunt has taken into account the Board's commercial assessments.

In addition, the Independent Directors, who have been so advised by KBC Peel Hunt, consider the Code Waiver to be fair and reasonable insofar as Independent Shareholders are concerned and, accordingly, recommend that you vote in favour of Resolution 1 to be proposed at the Extraordinary General Meeting, as they and Shareholders connected with them intend to do in respect of their aggregate beneficial holdings of 16,587,526 Ordinary Shares representing approximately 11.64 per cent. of the existing issued ordinary share capital of the Company. In providing advice to the Independent Directors, KBC Peel Hunt has taken into account the commercial assessments of the Independent Directors.

As K C McCabe and J L Burnley are deemed by the Panel not to be Independent Shareholders, they (and their connected persons) are unable to vote on Resolution 1 in respect of their own beneficial holdings in the existing ordinary share capital of the Company and have not participated in the Independent Directors' recommendation in relation to it.

Yours faithfully

The Independent Directors

PART II

LETTER FROM KBC PEEL HUNT



8 February 2006

To Qualifying Shareholders

Dear Qualifying Shareholder

OPEN OFFER OF UP TO 71,242,565 OFFER SHARES AT A PRICE OF 15P PER SHARE

1. Introduction

As the letter from the Independent Directors set out in Part I explains, the Company proposes to raise up to approximately £10.7 million (£10.5 million net of expenses) by way of the Open Offer.

Pursuant to the Open Offer, up to 71,242,565 Offer Shares are being offered to Qualifying Shareholders at 15p per share. Of the proceeds to be received under the Open Offer, £8.75 million has been underwritten by the Underwriters, equivalent to approximately 82 per cent. of the Offer Shares.

2. The Open Offer

KBC Peel Hunt, as agent for and on behalf of the Company, hereby invites Qualifying Shareholders, subject to the terms and conditions set out below and in the Application Form, to apply for Offer Shares at a price of 15p per share payable in full on application. The minimum, *pro rata* entitlement of Qualifying Shareholders under the Open Offer is shown in Box 2 on the Application Form, calculated on the basis of:

1 Offer Share for every 2 Existing Ordinary Shares

held at the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held.

Entitlements of Qualifying Shareholders to Offer Shares will be rounded down to the nearest whole number of shares. Fractions of Offer Shares will not be allotted to Qualifying Shareholders but will be aggregated for the purposes of the Underwriting Agreement or else ignored.

Qualifying Shareholders may apply for Offer Shares by completing Boxes 4 and 5 on the Application Form. Applications may be made for any number of Offer Shares, either less than or in excess of their *pro rata* entitlement. However, in the case of applications for Offer Shares in excess of the *pro rata* entitlement, the total number of Offer Shares will not be increased in response to such excess applications. Excess applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their *pro rata* entitlements in full. Offer Shares will be allocated in response to excess applications in the absolute discretion of the Company. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating entitlements under the Open Offer.

KBC Peel Hunt Ltd

111 Old Broad Street London EC2N 1PH

A member of the KBC Group and the London Stock Exchange. Regulated by the Financial Services Authority.

Registered in England and Wales No: 2320252. Registered office as above.

Application may only be made on the enclosed Application Form, which is personal to the Qualifying Shareholder(s) named therein and may not be assigned, transferred or split except to satisfy *bona fide* market claims. Qualifying Shareholders who have sold or transferred all or part of their registered holdings are advised to consult their stockbroker, bank or other agent through or by whom the sale or transfer was effected as soon as possible since the benefits arising under the Open Offer may be claimed from them by purchasers under the rules of the London Stock Exchange.

The Application Form represents a right to apply for Offer Shares. It is not a document of title and cannot be traded. Any rights to subscribe for Offer Shares under the Open Offer which are not exercised will lapse.

The Open Offer is subject to the satisfaction of the following conditions on or before close of business on 31 March 2006:

- (i) the passing of the Resolutions at the Extraordinary General Meeting;
- (ii) Admission becoming effective; and
- (iii) the Underwriting Agreement becoming unconditional in all other respects and not having been terminated in accordance with its terms.

Application has been made for the Offer Shares to be admitted to AIM. It is expected that Admission will become effective and that dealings will commence in the Offer Shares on 6 March 2006. The Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

The attention of Shareholders who have registered addresses outside the UK or any other Overseas Shareholder (including, without limitation, nominees, custodians or trustees of any such person) is drawn to paragraph 6 below.

3. Procedure for Application

The Application Form shows the number of Ordinary Shares registered in a Qualifying Shareholder's name at the Record Date and the number of Offer Shares for which he is entitled to apply under the Open Offer. A Qualifying Shareholder may apply for less than or more than his entitlement should he so wish.

If a Qualifying Shareholder wishes to apply for Offer Shares to which he is entitled, he should complete the accompanying Application Form in accordance with the instructions thereon and return it, together with the appropriate remittance for the full amount payable on application, by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TH so as to arrive no later than 3.00 pm on 2 March 2006. Application Forms will only be accepted at the above address. Applications once made will be irrevocable. A reply-paid envelope is enclosed for use by Shareholders within the UK. The Company may (in its sole discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a power of attorney as required.

Cheques, which must be drawn on the personal account where you have sole or joint title to the funds, should be made payable to "Capita IRG Plc A/C Sheffield United plc" and crossed "Account Payee Only". Third party cheques, other than building society cheques or bankers' drafts, where the Society or Bank has confirmed that you have title to the underlying funds, will not be accepted. Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided for the members of any of those companies and must bear the appropriate sort code in the top right-hand corner. Cheques may be cashed immediately upon receipt. Post-dated cheques will not be accepted. **Any application which does not comply with these requirements may be rejected.**

The Company reserves the right to have cheques and banker's drafts presented on receipt and to instruct Capita Registrars to seek special clearance of cheques to obtain value for remittances at the earliest opportunity. If they are presented for payment before the conditions of the Open Offer have been fulfilled, the application monies will be held in a separate bank account pending the fulfilment of those conditions. Any interest on such moneys will be retained for the Company's benefit. If the conditions of the Open Offer are not fulfilled by close of business on 31 March 2006, the application moneys will be returned without interest as soon as possible thereafter by crossed cheque in favour of applicants through the post at their risk. Any moneys paid in excess of the amount due in respect of an application will be returned to the applicant (at the applicant's risk and without interest).

Return of the Application Form with an appropriate remittance will constitute a warranty that such remittance will be honoured on first presentation. Such warranty will constitute a term of the application. If this term is not met, the application may be rejected. The Company may require an applicant to pay interest and any other resulting costs if the remittance accompanying his application is not honoured on first presentation.

If any application is rejected then the applicant's cheque or banker's draft or a crossed cheque for the relevant amount (without interest) (as appropriate) will be returned to the applicant as soon as practicable thereafter by post at the applicant's risk.

The Company reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 2 March 2006 from an authorised person (as defined in the FSMA) specifying the amount of Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

If a Qualifying Shareholder does not wish to apply for any Offer Shares he should not complete or return the enclosed Application Form. All enquiries in relation to the Application Form should be addressed to Capita Registrars, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TH, telephone number 0870 162 3121, or if telephoning from outside the UK on +44 208 639 2157. Capita Registrars will not be able to provide advice on the merits of the Open Offer or any of the other Proposals nor give any investment or financial advice.

4. Settlement and dealing in the Offer Shares

In the case of holders of Ordinary Shares in uncertificated form who wish to receive their Offer Shares in uncertificated form, it is expected that, subject to the provision of the relevant information requested on the Application Form, such shares will be issued in uncertificated form on 6 March 2006. Capita Registrars will instruct CRESTCo to credit the appropriate stock accounts of such persons with their entitlements to Offer Shares with effect from the date of issue.

In the case of holders of Ordinary Shares in certificated form, definitive certificates for such Offer Shares are expected to be despatched by post by 20 March 2006. Pending despatch of the definitive share certificates, transfers of the Offer Shares will be certified against the register. All documents or remittances sent by or to an applicant (or his agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

The Company reserves the right to allot or issue Offer Shares in certificated form notwithstanding any other provisions set out in this Part II or elsewhere in this document.

5. Money Laundering Regulations 2003

The verification of identity requirements pursuant to the Money Laundering Regulations 2003 will apply to applications with a value of £9,000 or greater, or to one of a series of linked applications whose aggregate value exceeds that amount, which are to be settled by way of a third party payment, and verification of the identity of applicant(s) for Offer Shares may be required. If within a reasonable period of time following a request for verification of identity, but in any event by 3.00 p.m. on 2 March 2006, Capita Registrars has not received evidence satisfactory to it, the Company may, in its absolute discretion, elect not to treat as valid the relevant acceptance, in which event the money payable or paid in respect of the acceptance will be

returned (without interest and at the applicant's risk) to the account of the drawee bank or building society from which sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid).

In order to avoid the operation of the provisions of the Money Laundering Regulations 2003 described above, payment should be made by means of a cheque drawn by the applicant named in the enclosed Application Form or (where an Application Form has been transferred and/or split to satisfy *bona fide* market claims in relation to transfers of Ordinary Shares through the market prior to 3.00 p.m. on 28 February 2006), by the person named in Box 8 on the Application Form. If this is not practicable and the applicant uses a cheque drawn on a building society or a bankers' draft, the applicant should:

- (i) ask the building society or bank to endorse on the cheque or draft the name and account number of the person whose building society or bank account is being debited;
- (ii) if the applicant is making the application as agent for one or more persons, indicate on the Application Form whether it is a United Kingdom or EU regulated person or institution (e.g. a bank or broker), and specify its status. If it is not a United Kingdom or EU regulated person or institution, the applicant should contact Capita Registrars on telephone number 0870 162 3121 or, if calling from outside the UK +44 20 8639 2157 and seek guidance. Capita Registrars will not be able to provide advice on the merits of the Open Offer or any of the other Proposals nor give any investment or financial advice; and
- (iii) if the applicant delivers the Application Form by hand, bring with them the appropriate photographic evidence of identity, such as a passport or driver's licence.

In any event, if it appears to Capita Registrars that an applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the applicant appears to be acting will be required. Neither Capita Registrars, KBC Peel Hunt nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of any discretion to require verification.

By lodging an Application Form, each Qualifying Shareholder undertakes to provide evidence of his identity at the time of lodging the Application Form, or, at the absolute discretion of the Company and KBC Peel Hunt, at such specified time thereafter as may be required to ensure compliance with the Money Laundering Regulations 2003.

6. Overseas Shareholders

(a) General

It is the responsibility of any Overseas Shareholder (including, without limitation, nominees, custodians and trustees) wishing to apply for Offer Shares under the Open Offer to satisfy himself as to full observance of the laws of any relevant territory in connection with such application, including obtaining any requisite governmental or other consent or approval, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. **Shareholders who are in any doubt as to their position should consult a professional adviser.**

No person receiving this document and/or an Application Form in any territory other than the UK may treat it as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used by him without contravention of any registration or other regulatory or legal requirement. In such circumstances, the document and/or the Application Form are sent for information only, are confidential and should not be copied or distributed.

The Company reserves the right to treat as invalid any application or purported application for Offer Shares under the Open Offer made by or on behalf of a person outside the UK or if the Company is not given the relevant warranty set out in the Application Form or if it appears that the application may constitute a breach of such warranty or any relevant securities legislation. Notwithstanding any other statement in this document, the Company reserves the right to permit a Shareholder to take up Offer

Shares under the Open Offer if the Company is satisfied in its sole and absolute discretion that such action would not result in contravention of any applicable legal or regulatory requirements.

(b) *North America*

Neither this document, the Application Form nor the Offer Shares have been or will be registered under the United States Securities Act of 1933, as amended, or any applicable securities laws of any state of the United States, nor have they been, nor will they be qualified for sale under the securities law of any province or territory of Canada and the relevant exemptions are not being obtained from the Securities Commission of any province or territory of Canada. Except in a transaction which is exempt from the registration requirements of such laws, the Offer Shares may not be, directly or indirectly, offered, sold, taken up or delivered in North America, or to or for the benefit of a North American Person (as defined below). Application Forms are not being sent to any Shareholder with a registered address in North America or who is known or believed by the Company to be a North American Person, unless such Shareholder satisfies the Company and KBC Peel Hunt (in their sole discretion) that an allotment is permitted under an exemption from the securities laws referred to above.

In this letter “North America” means the United States of America and Canada, their respective states, provinces, territories and possessions and all areas subject to their respective jurisdictions and any political subdivision thereof and “North American Person” means any person who is in North America, or any citizen or resident of North America, who receives any Application Form in North America or who executes, authorises the execution of or sends in any Application Form from within North America and shall include the estate of any such person or any corporation, partnership or other entity created or organised under the laws of North America. References in this letter to “in North America” shall mean at the time the Open Offer is received and at the time any relevant Application Form is executed or authorised to be executed and returned.

(c) *Australia*

Neither this document nor the Application Form nor the Offer Shares will be lodged or registered with the Australian Securities and Investments Commission under Australia’s Corporations Law and Offer Shares are not being offered for subscription or sale and may not be offered, sold or delivered in or into Australia or for the account or benefit of any person or corporation in Australia. No Application Form will be sent to any person or corporation in Australia, including any Shareholder with a registered address in Australia. This document is being sent to such Shareholders for information purposes only and does not constitute an offer or invitation to apply for Offer Shares. Payment under an Application Form will constitute a representation or warranty that the person entitled to the same has not received, sent or forwarded the Application Form in or into Australia or to any person or corporation in Australia, and is not subscribing for any of the Offer Shares for the account or benefit of any person or corporation in Australia or with a view to their offer, sale or delivery directly or indirectly in or into Australia or to or for the account of any person or corporation in Australia.

(d) *Japan*

The relevant clearances have not been, and will not be, obtained from the Ministry of Finance of Japan, no document in relation to the Open Offer has been or will be lodged with or registered by the Ministry of Finance of Japan and no steps have been taken to enable the Offer Shares to be offered, sold, accepted, or otherwise delivered in Japan, its territories and possessions and any areas subject to its jurisdiction (“Japan”) in compliance with applicable laws of Japan. The Offer Shares may not therefore be offered, sold or accepted or otherwise delivered directly, or indirectly, in or into Japan.

Accordingly, Application Forms are not being sent to Qualifying Shareholders who have registered addresses in Japan. This document is being sent to such shareholders for information purposes only and does not constitute an offer or invitation to apply for Offer Shares.

(e) *Republic of Ireland*

No document in relation to the Offer Shares has been or will be lodged for registration with the Registrar of Companies in the Republic of Ireland and all subscribers for Offer Shares must provide address outside the Republic of Ireland for the receipt of certificates for Offer Shares. Persons will be deemed to have made an invalid application if their Application Form appears to the Company and KBC Peel Hunt or their agents to have been executed in or dispatched from the Republic of Ireland, or if they provide an address in the Republic of Ireland for registration, or if they are unable to make the representations and warranties set out in the Application Form. No Application Forms will be sent to holders of Ordinary Shares with registered or mailing addresses in the Republic of Ireland. This document is being sent to such Shareholders for information purposes only and does not constitute an offer or invitation to apply for Offer Shares.

7. Taxation

The attention of Shareholders is drawn to the advice on United Kingdom taxation received by the Company set out in paragraph 23 of Part VI of this document.

If you are in any doubt about your tax position, you should consult your independent professional adviser immediately.

8. Further information

The attention of the Qualifying Shareholders is drawn to the further information set out in this document including the additional information set out in Parts I and III to VI and the risk factors set out on pages 9 and 10 and the notice of Extraordinary General Meeting set out at the end of this document and to the terms and conditions set out on the Application Form.

Yours faithfully

Simon Hayes

for and on behalf of KBC Peel Hunt Ltd

PART III

OPERATING AND FINANCIAL REVIEW OF SHEFFIELD UNITED PLC

FOOTBALL

First team

The Club is currently in the Championship league and over the last three years has finished 3rd in the 2002/03 season, 8th in the 2003/04 season and 8th in the 2004/05 season. Currently the Club occupies 2nd position which is one of the automatic promotion positions to the Premier League. The principal objective for the Club is promotion to the Premier League.

The first team is managed by Neil Warnock and his team, which includes Stuart McCall as his assistant. The full time football management team is responsible for on pitch performance and includes physiotherapists, a fitness coach, a scouting team and medical staff. The management team is complemented by part time analysts and providers of other services.

The first team squad is now made up of a blend of younger players, in Phil Jagielka, Michael Tonge, Steve Kabba, Danny Webber and Nick Montgomery, and more experienced players with Premier League experience in Craig Short, David Unsworth, Neil Shipperley and Ade Akinbiyi. Team results have improved in the 2005/06 season compared to previous seasons and the prospect of promotion to the Premier League is considered by the Directors to be more realistic than in previous seasons.

Academy

In 2000 the Club acquired 22 acres of land at Shirecliffe on which the Club's youth academy was constructed, opening in 2002. The training facilities at Shirecliffe include outdoor pitches, an outdoor synthetic pitch and an indoor synthetic pitch. The high standard of facilities has enabled the Club to achieve FA Academy status by adopting an infrastructure of coaches and medical staff which complies with the FA Academy requirements. As well as being the training base for the first team and the academy teams, the facilities are also utilised by various community groups and other commercial users. The facilities are operated in the same way as a commercial fitness and leisure club.

The academy head is Ron Reid who replaced John Warnock in 2004. Since the academy opened a number of graduates have made first team appearances and the Directors consider the academy to be important to establishing a successful and economically viable first team at the Club.

RETAIL

Football

Ticket sales

One of the key revenues for the Club is the sale of match tickets, either by season tickets or on a match-by-match basis. Match ticket revenue and average crowd statistics are as follows:

| | <i>Years ended 30 June</i> | | |
|---------------------|----------------------------|-------------|-------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| Average crowd | 19,611 | 21,646 | 18,575 |
| Season ticket sales | 11,995 | 13,214 | 10,075 |
| Ticket revenue | £5,086,000 | £4,437,000 | £5,466,000 |

The revenue for 2002/03 was generated from 23 home league matches and 10 Cup matches in a season during which the Club enjoyed successful runs in the FA Cup and the Football League Cup and qualification for the end of season promotion play offs. The increased average crowd in 2003/04 season generated an increase in league match takings but overall ticket revenue was reduced by 19 per cent. as a result of less success in the Cups and non qualification for the end of season promotion play offs. The importance to

results of success in the Cups was demonstrated again in 2005 when, despite a fall in the average crowds, ticket revenue was in excess of £5 million. To put the progress made over the last three years into perspective it is worth noting that gate receipts in 2001 and 2000 were respectively 50 per cent. and 55 per cent. less than 2005.

Television

The contracts for the television rights are negotiated by the Football League on behalf of the 72 clubs that are members of the Football League. The current television rights agreements are with BskyB and ITV. Television income from the Football League agreements consists of guaranteed awards from membership of the Championship and amounts contingent upon appearances in live matches. In addition revenue is also received from televised matches in the Football League Cup and FA Cup. Television revenue over the last 3 years is as follows:

| | <i>Years ended 30 June</i> | | |
|--------------------|----------------------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Television revenue | 1,815 | 2,049 | 2,515 |

Television income in 2003 benefited from the significant number of cup and play off matches that were televised, compared to 2004 and 2005. In 2003 and 2004, additional payments were made to all Football League clubs and in comparison television revenue for 2005 was reduced.

Leisure

Sponsorship, Royalties, Merchandising and advertising

Revenue from sponsorship, royalties, merchandising and advertising is as follows:

| | <i>Years ended 30 June</i> | | |
|---|----------------------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Sponsorship, Royalties, Merchandising and advertising | 3,970 | 3,599 | 3,339 |

The number of home matches is a key factor to the revenue generated from sponsorship, royalties, merchandising and advertising. In 2003, 34 home matches were staged compared to 25 in 2004 and 28 in 2005. Merchandising sales in 2003 were a Club record and although falling by 9 per cent. in 2004 with a small increase in 2005, sales are healthy compared to the periods prior to 2003. In 2004 the Club welcomed new shirt sponsors, HFS Loans and a significant number of new customers have been attracted to the Club over the three-year period including Wolverhampton and Dudley, Global Windows and EDS.

Conference and banqueting

Conference and banqueting sales are as follows:

| | <i>Years ended 30 June</i> | | |
|---------------------------|----------------------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Conference and banqueting | 1,141 | 944 | 920 |

A new conference and banqueting manager was appointed in May 2004 and combined with increased sales resource, turnover increased by 21 per cent. in 2005. The revenue is driven by match day and non-match day trade all year round. On non-match days revenue is generated from conferences.

Academy

The Academy was opened in 2002 and the facilities are now utilised to generate income. Through pitch hire, serviced office rental and more recently revenue from "Impact" health and fitness suite, the facilities are being utilised on a commercial basis. Pitch hire revenue in the year to 30 June 2005 was generated from

community and commercial use and the 45-station gym at Impact, which is open to the public, has increased the amount of football through the academy which is likely to benefit the utilisation of the other facilities.

Property

Enterprise centre

In September 2001 the Blades Enterprise Centre (“Centre”) was opened offering 26,000 sq ft of serviced office accommodation to residents. The Centre currently accommodates over 50 different entities and the Centre is now consistently 95 per cent. occupied. Revenue is as follows:

| | <i>Years ended 30 June</i> | | |
|-------------------|----------------------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Enterprise Centre | 689 | 630 | 532 |

United Scarborough Estates Limited

In March 2005, United Scarborough Estates Group Ltd (“USE”) was formed as a jointly owned property corporation with SPC Group. Other than the equity funds provided to USE by both parties, this company is separately financed by Bank of Scotland and is investing in properties either to be sold in the short term for capital profit or asset managed to improve rental and ultimately capital values in the medium term. Thus, as at 30 June 2005 USE, through its subsidiary United Scarborough Estates Limited, had real estate interests in properties located at Rushden, London, Maidenhead, and Bracknell with acquisitions agreed at Brighton, Crawley, Datchet, Virginia Water and Leicester. The first contribution to the results of the Group was received from USE in the year ended 30 June 2005. At 30 June 2005, the Company had invested £2,644,000 in USE and the Group’s share of gross assets in the venture was £13,556,000.

China

The Club is exploring opportunities to expand links with the People’s Republic of China.

The links with China commenced in the 2001/2002 season with the sponsorship of the Club by the Chinese company Desun. In 2004 the Club became involved with the development and management of the Hainan Academy and attracted young players from the Hainan region to train at the facilities. In February 2005 the Club signed Chinese International Hai Hao Dong and in July 2005 the Club’s pre-season tour was well received by both the Club’s travelling supporters and those attending the matches in Hangzhou, Shenyang and Changsha.

It is the Club’s belief that it can procure investors and sponsors from China to assist the Club. If the Club can add to these potential benefits exploiting and marketing its own brand in the People’s Republic then there is an expectation that significant profits can be generated in the years ahead from the Club’s business links with the People’s Republic of China.

The Group has recently announced that the Company has exchanged contracts to acquire the Chengdu Five Bulls Football Club in China which is seen as part of this next stage to build a commercial business in China. The contract is conditional on a number of points but the Company expects to complete the acquisition in February 2006. The Board believes this acquisition is beneficial for the Club not only for the potential of their players who could be groomed to become members of the Club’s first team squad but also by marketing the Club’s profile and brand in retail, leisure and commercial opportunities in the People’s Republic of China.

Costs

Cost of sales can be analysed as follows:

| | <i>Years ended 30 June</i> | | |
|---|----------------------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Player wages and employment/termination costs | 4,986 | 4,863 | 5,248 |
| Other | 4,606 | 4,117 | 4,078 |
| Total | <u>9,592</u> | <u>8,980</u> | <u>9,326</u> |

The cost of player wages is material to the business as it represents the largest Group cost. Player wages consist of basic salary, appearance fees, individual bonus payments, team bonus payments and benefits in kind. Control over player wages is exercised through detailed cost projection and comparison to budget. Other costs include the cost of the football management team, the costs of staging matches and the cost of sales associated with increased turnover from retail, leisure and property.

Administration expenses are analysed as follows.

| | <i>Years ended 30 June</i> | | |
|---|----------------------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Amortisation and impairment of player's registrations | 624 | 409 | 586 |
| Administration salaries and wages | 1,405 | 1,315 | 1,206 |
| Depreciation | 614 | 628 | 522 |
| Other expenses | 2,134 | 2,308 | 2,050 |
| Total | <u>4,777</u> | <u>4,660</u> | <u>4,364</u> |

The amortisation and impairment of player registrations is charged in accordance with the accounting policy of the Group. The increase in player amortisation in 2005 reflects the write down of a player sold after the year-end at an amount less than book value. During the 2004/05 season, additions of player registrations increased compared to previous years and accordingly player amortisation will be increased in the immediate future.

Fixed assets

Bramall Lane stadium

Since the completion of the HFS Loans stand on John Street and the subsequent construction of the Blades Enterprise Centre in September 2001, development work around the stadium slowed until 2004. In February 2004 the Club announced the conclusion of an agreement with Las Vegas Sands Inc for the development of a 200,000 sq ft entertainment complex incorporating a casino and hotel, principally to be constructed on the South Stand car park at Bramall Lane. Eventual profits from the developments, on the assumption that consents are forthcoming in due course, will be invested to the benefit of the Club and, therefore, clearly remain within the City of Sheffield, assisting in regenerating the area.

Work has now commenced on the infilling of the corner between Bramall Lane and the South Stands, not only to provide approximately 2,000 additional seats but also to give the stadium a more finished appearance. To the rear of this new corner stand, a planning application has been submitted to Sheffield City Council for a 146-bed four star hotel building that has been designed and planned to integrate into the intended new entertainment complex.

Academy

Following the acquisition of the freehold land at Shirecliffe, Sheffield in June 2000, the construction of the Academy was completed in the financial year ended 30 June 2003. In September 2005 the Impact gym at Shirecliffe, Sheffield was opened following the conversion of the previous existing Social Club.

Intangible fixed assets

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. The cash flows from the purchase and sale of players are summarised as follows:

| | <i>Years ended 30 June</i> | | |
|--|----------------------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Payments to acquire player registrations | (1,937) | (626) | (449) |
| Proceeds from disposal of player registrations | 398 | 634 | 486 |

Historically the Club has sold players to fund operating losses. However through increased contribution from business activities and through the issue of new shares, player sales have reduced in the last 3 years as the Club has retained the services of key players with the intention of carefully building a team capable of gaining promotion to the Premier League.

Capital Resources

Changes in debt and equity funding since 1 July 2002 are as follows:

| | <i>Years ended 30 June</i> | | |
|--|----------------------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Net receipt from issue of ordinary share capital | 5,124 | – | 3,839 |
| Repayment of borrowings | (1,907) | (940) | (10,896) |
| Receipts from new borrowings | 3,644 | 1,000 | 10,149 |
| Receipts from grants | 20 | 93 | 827 |
| Net inflow/(outflow) from financing | <u>6,881</u> | <u>153</u> | <u>3,919</u> |

Share issues were concluded during the financial years ended 30 June 2003 and 30 June 2005 as an alternative to debt financing to reduce the gearing of the Group. In 2005, £2,644,000 additional debt was drawn and invested in USE, the joint venture with SPC Group.

Borrowings and the maturity profile of these borrowings are analysed as follows:

| | <i>Years ended 30 June</i> | | |
|---|----------------------------|---------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Bank borrowings | 9,998 | 9,951 | 8,459 |
| Other loans | 75 | 100 | 237 |
| Hire purchase and finance lease contracts | 10 | 81 | 165 |
| Total borrowings | <u>10,083</u> | <u>10,132</u> | <u>8,861</u> |
| In less than one year or on demand: | | | |
| Bank borrowings | 1,512 | 4,173 | 1,962 |
| Other loans | 13 | 29 | 120 |
| Hire purchase and finance lease contracts | 10 | 71 | 84 |
| In more than one year but less than two years: | | | |
| Bank borrowings | 843 | 718 | 718 |
| Other loans | 12 | 13 | 40 |
| Hire purchase and finance lease contracts | – | 10 | 77 |
| In more than two years but less than five years: | | | |
| Bank borrowings | 6,259 | 3,426 | 3,654 |
| Other loans | 38 | 50 | 77 |
| Hire purchase and finance lease contracts | – | – | 4 |
| In more than five years: | | | |
| Bank borrowings | 1,384 | 1,634 | 2,125 |
| Other loans | 12 | 8 | – |
| Total borrowings | <u>10,083</u> | <u>10,132</u> | <u>8,861</u> |

During the financial years ended 30 June 2003 and 30 June 2005, the Group has raised funds through the issue of new equity. The equity has been issued to reduce the Group's reliance on debt funding whilst funding losses which have accumulated as a result of losses being reported in each of the financial years.

The capitalisation and indebtedness statement in paragraph 19 of Part VI of this document records the financial indebtedness of the Group as at 31 December 2005. This information has been supplied by management and is unaudited. The debt can be analysed as follows:

| | |
|---|---------------|
| | <i>£,000</i> |
| Joint Venture Investment funding in USE | 4,215 |
| Other bank borrowings | 9,070 |
| Hire purchase and finance lease contracts | 140 |
| Total | <u>13,425</u> |

All of the funding referred to above is from the Bank of Scotland.

Other bank borrowings represent the debt that has been accumulated historically to fund the investment activities and trading of the Group's business with the exception of the investment in the joint venture which has been funded from a separate facility. Between 30 June 2005 and 31 December 2005, the other bank borrowings have increased by approximately £1.8 million (based on unaudited management information) reflecting the decision of the Directors to invest in further team strengthening in the form of increased player wages and the payment of transfer fees where necessary to acquire players to improve the first team. Since 31 December 2005, other bank borrowings have increased significantly in order to meet additional player wages, costs relating to the corner stand development, acquisition costs of the Chengdu Five Bulls Football Club and transfer fees. The level of borrowings is projected to increase to a maximum during February 2006 prior to the expected receipt of the net proceeds from the Open Offer. The other bank borrowings of the

Group historically peak in March of each financial year ahead of the proceeds from the advance sale of season tickets for the following season.

The other financial indebtedness of the Group is secured by way of a fixed charge over the freehold interest in the Bramall Lane Stadium, Sheffield and a fixed charge over the freehold property at Shirecliffe Road, Sheffield as well as debentures over the assets of certain of the Group's subsidiary companies. The joint venture facility is secured by a charge over all of the shares held by the Group in USE.

A further bank facility of £3 million will be drawn down immediately prior to the completion of the Acquisition in order to part fund the Acquisition and which will be secured on the assets of the Acquisition and will be repayable over a period of approximately 6 years. There is no present intention to otherwise increase the bank facilities available to the Group and the investment in players, the costs of additional player wages and the costs of construction of the corner stand will be financed from the net proceeds of the Open Offer.

The Group's borrowings are held by Sheffield United and facilities are provided to its subsidiaries as required to enable its subsidiaries to continue trading. Intra Group funding is provided and repaid through loan accounts and not through cash dividends. There are no constraints from exchange controls or taxations consequences that impact upon the ability of the Group to fund the operations in its subsidiaries.

The currency in which cash and cash equivalents are held is pounds sterling. All borrowings are at variable rates and no financial instruments are used for hedging purposes. Further information is provided in note 16 to the Financial Information for the three years ended 30 June 2005 set out in section B of Part IV of this document.

Historically, the Group has reported operating losses although from the financial year ended 30 June 2003 the losses have been reduced. In 2004 and 2005 the Directors have followed a strategy of investing additional resources in player wages to attract improved players to the Club and increase the likelihood of promotion to the Premier League. This strategy in 2004 was funded through a share issue and the same strategy in 2005 is being funded by the Open Offer. Accordingly, interest on borrowings has not been covered by operating profits. There is no requirement in the Group's banking agreements for interest cover ratios to be met. The debt to equity ratio of the business, measured against the market value of the Group is affected by fluctuations in the Company's share price. The share price of the Company has increased from a 52 week low based on intraday values during the 12 months prior to 7 February 2006 (the latest practicable date prior to the publication of this document) of 6.5 pence per Ordinary Share to a current share price as at close of business on 7 February 2006 of 21.75 pence, an increase of approximately 235 per cent., which gives the Company a market value of approximately £31 million. The material fluctuation of share price has coincided with improved on the pitch performance and due to the nature of the business and the movements in share price, the Directors do not believe that a target debt to market value ratio is appropriate and there is no covenant in the Group's bank facility agreements for particular debt to equity ratios to be met. When investigating investment decisions, the Group is conscious of looking to generate a return in excess of the cost of capital and a debt to asset value ratio of 80 per cent. or less is generally applied to the funding of leisure and property assets. For the football activities, the Directors have decided that the current level of debt funding should be maintained or reduced and the losses from investment in team strengthening will be funded by the issue of equity.

Consolidated cash flow statement for the year ended 30 June 2005

| | 2005 £'000 |
|--|----------------|
| Net cash inflow/from operating activities | <u>110</u> |
| Returns on investments and servicing of finance | |
| Interest paid | (567) |
| Interest element of finance lease payments | (2) |
| Net cash outflow from returns on investments and servicing of finance | <u>(569)</u> |
| Capital expenditure and financial investment | |
| Payments to acquire tangible fixed assets | (453) |
| Payments to acquire player registrations | (1,937) |
| Proceeds from disposal of player registrations | 398 |
| Loan made to joint venture | (2,644) |
| Net cash outflow from capital expenditure and financial investment | <u>(4,636)</u> |
| Net cash outflow before financing | <u>(5,095)</u> |
| Financing | |
| Issue of ordinary share capital | 5,284 |
| Cost of issuing share capital | (160) |
| Capital element of finance lease payments | (71) |
| Repayment of other financial liabilities | (25) |
| Repayment of bank borrowings | (1,811) |
| Receipts from bank borrowings | 3,644 |
| Receipts from other borrowings | – |
| Receipts from grants | 20 |
| Net cash inflow from financing | <u>6,881</u> |
| Increase in cash | <u>1,786</u> |

The information below has been extracted from the audited accounts of the Group as at 30 June 2005 and (in respect of paragraph (e) below) supplied by management (unaudited) as at 31 January 2006 (being the last practicable date prior to the publication of this document). The material inflows and outflows are as follows:

- (a) Interest paid during the year on Group bank borrowings and finance lease agreements was £0.569 million.
- (b) Capital expenditure and financial investments – Payments to acquire tangible fixed assets were £0.453 million. Payments to acquire player registrations were £1.937 million and reflect the cash expended on the acquisition of players in costs of acquisition. The increased amount compared to the previous year reflects the signing of new players including Danny Webber, Danny Cullip, Barry Hayles and Paul Ifill and the balance due on players acquired in previous years including Steve Kabba and Simon Francis. Proceeds from the disposal of players include the sale of Barry Hayles, Jack Lester and appearance fee payments from Tottenham Hotspurs for the sale of Michael Brown.
- (c) Loans made to the joint venture reflect the investment by the Group in USE.
- (d) Financing – The issue of share capital reflects the proceeds from the underwritten open offer which was completed on 28 September 2004. The costs of issuing the share capital were £160,000. Repayments of bank borrowings reflect the amounts of debt repaid, predominantly from the issue of share capital but also from the monthly amortisation of term loans. Receipts from bank borrowings of £3.6 million include £2.644 million which was invested in USE and £1 million which was applied to working capital.

- (e) Since 30 June 2005 the amount of Group borrowings has increased. Borrowings to fund further investment in USE have increased by £1.571 million to £4.215million out of a total available facility of £5 million. Borrowings to fund other Group activities have increased to £12.102 million at 31 January 2006 (being the last practicable date prior to the publication of this document) and have been applied to the purchase of players including stage payments for the acquisition of the player registrations of Danny Webber, Paul Ifill and Ade Akinbiyi, the initial costs of developing the corner stand, other improvements to the stadium, the costs of additional player wages and the costs associated with the acquisition of the Chengdu Five Bulls football club in the People's Republic of China.

Continuation of the Group's borrowings is subject to compliance with certain covenants. The covenants require the maintenance of the ratios of player wages and total wages as a percentage of sales within agreed parameters, the maintenance of net assets above an agreed amount and the restriction of net cash outflow each year to an agreed amount.

All of the debt funding is provided by the Company's bankers, Bank of Scotland. Pursuant to the terms of the bank facilities, the Group is subject to a number of restrictions in dealing with its assets. These include, subject to customary levels of materiality and prior bank consent, the extent to which it can incur financial indebtedness, grant any security, give any guarantee or create or permit any encumbrances over its assets; the ability to sell, transfer or otherwise dispose of its assets; the ability to incur capital expenditure other than on players; and the ability to make acquisitions or enter into mergers.

PART IV

FINANCIAL INFORMATION RELATING TO THE GROUP AND FORECAST LOSS

A. Accountants' report on financial information relating to the Group

Grant Thornton UK LLP
Chartered Accountants
The UK Member Firm of
Grant Thornton International

Grant Thornton 

Our Ref CF/DKG/SWB/S03297/Ltr10

The Directors
Sheffield United plc
Bramall Lane
SHEFFIELD
S2 4SU

8 February 2006

Dear Sirs

SHEFFIELD UNITED PLC

We report on the financial information set out in section B of Part IV of the Prospectus dated 8 February 2006 of Sheffield United plc. This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Paragraph a of Schedule Two of the AIM Rules and with reference to Annex I, section 20 of the PD Regulation attached to the AIM Rules and is given for the purpose of complying with those provisions and for no other purpose.

RESPONSIBILITIES

As described in paragraph 1 of Part VI of the Prospectus the Directors of Sheffield United plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with the applicable financial reporting framework.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

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Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

OPINION

In our opinion, the financial information gives, for the purposes of the Prospectus dated 8 February 2006, a true and fair view of the state of affairs of Sheffield United plc as at the dates stated and of its losses, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with the applicable reporting framework as described in note 1.

DECLARATION

For the purposes of Prospectus Rule 5.5.3R(2)(f) and Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of annex 1 of the Prospectus Regulation and Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

B. Financial information relating to the Group

Consolidated profit and loss accounts

| | | <i>Years ended 30 June</i> | | |
|--|--|----------------------------|----------------|----------------|
| | | 2005 | 2004 | 2003 |
| <i>Note</i> | | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Turnover | | | | |
| | Group and share of joint venture | 13,039 | 11,837 | 12,999 |
| | Less: Share of joint venture's turnover | (159) | – | – |
| | | <u>12,880</u> | <u>11,837</u> | <u>12,999</u> |
| | Continuing businesses | 12,880 | 11,837 | 12,999 |
| | Cost of sales | (9,592) | (8,980) | (9,326) |
| | | <u>3,288</u> | <u>2,857</u> | <u>3,673</u> |
| Gross (loss)/profit | | | | |
| | Administrative expenses | (4,777) | (4,660) | (4,364) |
| | Other operating income | 437 | 379 | 389 |
| | | <u>(4,340)</u> | <u>(4,281)</u> | <u>(3,975)</u> |
| Continuing businesses: | | | | |
| | Operating (loss)/profit before amortisation of cost of players' registrations and cost of terminating players' contracts | (334) | (706) | 524 |
| | Amortisation and impairment of cost of players' registrations | (624) | (409) | (586) |
| | Cost of terminating players' contracts | (94) | (309) | (123) |
| | Football League Pension and Life Assurance Scheme contribution shortfall | – | – | (117) |
| | | <u>(1,052)</u> | <u>(1,424)</u> | <u>(302)</u> |
| | Operating loss | (1,052) | (1,424) | (302) |
| | Share of operating profit in joint venture | 124 | – | – |
| | Profit on disposal of players registrations | 374 | 406 | 486 |
| | | <u>(554)</u> | <u>(1,018)</u> | <u>184</u> |
| Profit/(loss) on ordinary activities before interest | | | | |
| | Net interest payable | (661) | (608) | (595) |
| | | <u>(1,215)</u> | <u>(1,626)</u> | <u>(411)</u> |
| Loss on ordinary activities before taxation | | | | |
| | Taxation | (9) | – | – |
| | | <u>(1,224)</u> | <u>(1,626)</u> | <u>(411)</u> |
| Loss on ordinary activities for the year after taxation | | | | |
| | Retained loss for the financial year | 20 | (1,224) | (411) |
| | | <u>(1,224)</u> | <u>(1,626)</u> | <u>(411)</u> |
| Loss per share on ordinary activities | | | | |
| | Basic | 8 | £(0.01) | £(0.01) |
| | | <u>£(0.01)</u> | <u>£(0.02)</u> | <u>£(0.01)</u> |

There are 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 sheets

| | | <i>Years ended 30 June</i> | | |
|--|-------------|----------------------------|----------------|----------------|
| | <i>Note</i> | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Fixed assets | | | | |
| Intangible assets | 9 | 1,874 | 585 | 483 |
| Tangible assets | 10 | 23,010 | 23,171 | 23,441 |
| Investment in joint venture: | | | | |
| Share of gross assets | 11 | 13,556 | – | – |
| Share of gross liabilities | 11 | (13,533) | – | – |
| | | <u>23</u> | <u>–</u> | <u>–</u> |
| | | <u>24,907</u> | <u>23,756</u> | <u>23,924</u> |
| Current assets | | | | |
| Stocks | 12 | 240 | 246 | 288 |
| Debtors – amounts falling due within one year | 13 | 1,079 | 1,067 | 1,509 |
| Debtors – amounts falling due after one year | 13 | 2,644 | – | – |
| | | <u>3,963</u> | <u>1,313</u> | <u>1,797</u> |
| Creditors: amount falling due within one year | 14 | (4,105) | (6,648) | (4,766) |
| Net current liabilities | | <u>(142)</u> | <u>(5,335)</u> | <u>(2,969)</u> |
| Total assets less current liabilities | | 24,765 | 18,421 | 20,955 |
| Creditors: amounts falling due after more than one year | 15 | (8,606) | (5,985) | (6,891) |
| Deferred income | 18 | (6,901) | (7,078) | (7,080) |
| Net assets | | <u>9,258</u> | <u>5,358</u> | <u>6,984</u> |
| Capital and reserves | | | | |
| Called up share capital | 19 | 14,248 | 8,964 | 8,964 |
| Share premium account | 20 | 13,562 | 13,722 | 13,722 |
| Merger reserve | 20 | 3,018 | 3,018 | 3,018 |
| Profit and loss account | 20 | (21,570) | (20,346) | (18,720) |
| Shareholders' funds | 21 | <u>9,258</u> | <u>5,358</u> | <u>6,984</u> |

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

Consolidated cash flow statements

| | | <i>Years ended 30 June</i> | | |
|--|-------------|----------------------------|--------------|--------------|
| | <i>Note</i> | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Net cash inflow/(outflow) from operating activities | 22 | 110 | (406) | (997) |
| Returns on investments and servicing of finance | | | | |
| Interest paid | | (567) | (603) | (570) |
| Interest element of finance lease payments | | (2) | (5) | (25) |
| Net cash outflow from returns on investments and servicing of finance | | (569) | (608) | (595) |
| Capital expenditure and financial investment | | | | |
| Payments to acquire tangible fixed assets | | (453) | (358) | (2,314) |
| Payments to acquire player registrations | | (1,937) | (626) | (449) |
| Proceeds from disposal of player registrations | | 398 | 634 | 486 |
| Loan made to joint venture | | (2,644) | – | – |
| Net cash outflow from capital expenditure and financial investment | | (4,636) | (350) | (2,277) |
| Net cash outflow before financing | | (5,095) | (1,364) | (3,869) |
| Financing | | | | |
| Issue of ordinary share capital | | 5,284 | – | 3,839 |
| Cost of issuing share capital | | (160) | – | – |
| Capital element of finance lease payments | | (71) | (84) | (475) |
| Repayment of other financial liabilities | | (25) | (137) | (662) |
| Repayment of bank borrowings | | (1,811) | (719) | (9,759) |
| Receipts from bank borrowings | | 3,644 | 1,000 | 10,064 |
| Receipts from other borrowings | | – | – | 85 |
| Receipts from grants | | 20 | 93 | 827 |
| Net cash inflow from financing | | 6,881 | 153 | 3,919 |
| Increase/(decrease) in cash | 23 | 1,786 | (1,211) | 50 |

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

Notes to the financial statements

1. Accounting policies

Basis of preparation

The financial information has 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 in the period covered by the financial information.

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.

Joint ventures

In the Group accounts the investments in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account includes the group's share of joint ventures' profits and net assets are shown in the consolidated balance sheet.

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 delivered 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.

Investments

Investments are stated at cost less amounts written off.

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 assets, less estimated residual value, over their expected working lives.

| | |
|-------------------------------|-------------------------------------|
| Freehold buildings | 2 per cent. straight line basis |
| Fixtures, plant and equipment | 20-25 per cent. straight line basis |
| Motor vehicles | 25 per cent. straight line basis |

Freehold land is not depreciated.

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 and directors. The Group funds its pension liabilities through externally managed pension schemes. Contributions are charged against operating profits in the year in which payments are due.

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

2. Turnover and loss on ordinary activities before taxation

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

| | 2005 £'000 | 2004 £'000 | 2003 £'000 |
|--|----------------|----------------|---------------|
| Turnover | | | |
| Professional football activities: | | | |
| Gate receipts | 5,086 | 4,437 | 5,466 |
| Television income | 1,815 | 2,049 | 2,515 |
| Sponsorship, royalties, merchandising and advertising income | 3,970 | 3,599 | 3,339 |
| Conference and banqueting income | 1,141 | 944 | 920 |
| | <u>12,012</u> | <u>11,029</u> | <u>12,240</u> |
| Royalty income, corporate hospitality and stewarding | 179 | 178 | 227 |
| Business centre income | 689 | 630 | 532 |
| | <u>12,880</u> | <u>11,837</u> | <u>12,999</u> |
| Loss before taxation | | | |
| Football activities – non-cup | (3,609) | (2,498) | (2,997) |
| Football activities – cup runs | 2,025 | 999 | 2,909 |
| | <u>(1,584)</u> | <u>(1,499)</u> | <u>(88)</u> |
| Football activities before player sales | (1,584) | (1,499) | (88) |
| Profit on disposal of players registrations | 398 | 406 | 486 |
| | <u>(1,186)</u> | <u>(1,093)</u> | <u>398</u> |
| Royalty income, corporate hospitality and stewarding | 240 | (81) | (127) |
| Business centre | 163 | 111 | (5) |
| Parent company | 105 | 45 | (82) |
| Joint venture | 124 | – | – |
| | <u>(554)</u> | <u>(1,018)</u> | <u>184</u> |
| Net interest payable | (661) | (608) | (595) |
| | <u>(1,215)</u> | <u>(1,626)</u> | <u>(411)</u> |
| Net assets/(liabilities) | | | |
| Professional football activities | 16,269 | 15,294 | 15,112 |
| Business centre | (178) | (111) | 75 |
| Parent company and other subsidiaries | 3,250 | 307 | 658 |
| | <u>19,341</u> | <u>15,490</u> | <u>15,845</u> |
| Net debt | (10,083) | (10,132) | (8,861) |
| | <u>9,258</u> | <u>5,358</u> | <u>6,984</u> |

2. Turnover and loss on ordinary activities before taxation (continued)

| | 2005 | 2004 | 2003 |
|---|--------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| The loss on ordinary activities is stated after: | | | |
| Auditors' remuneration – audit services | 34 | 33 | 34 |
| Auditors' remuneration – non-audit services – taxations services | 11 | 14 | 19 |
| Auditors' remuneration – non-audit services – reporting accountants in respect of shares issued | 25 | – | 25 |
| Amortisation of players' registrations | 358 | 409 | 586 |
| Impairment of player registrations | 266 | – | – |
| Depreciation of owned assets | 600 | 591 | 602 |
| Depreciation of assets held under finance leases and hire purchase contracts | 14 | 23 | 16 |
| Hire of equipment – operating leases | 4 | 4 | 11 |
| | <u>4,777</u> | <u>4,660</u> | <u>4,364</u> |

The fees for non-audit services for reporting accountants in respect of shares issued were charged to the Share Premium Account.

| | 2005 | 2004 | 2003 |
|--|--------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Analysis of administrative expenses: | | | |
| Amortisation and impairment of players' registrations | 624 | 409 | 586 |
| Administration salaries and wages | 1,405 | 1,315 | 1,206 |
| Cost of terminating staff contracts | – | – | 27 |
| Cost of terminating players' contracts | 94 | 309 | 123 |
| Player related administration (including agents' fees) | 80 | 27 | 62 |
| Depreciation | 614 | 628 | 522 |
| Repairs, renewals and maintenance | 111 | 134 | 139 |
| Legal and professional fees | 198 | 153 | 157 |
| Printing, postage and stationery | 156 | 133 | 154 |
| Insurance | 202 | 222 | 164 |
| Rates | 321 | 310 | 148 |
| Heat, light and power | 190 | 111 | 137 |
| Training ground costs | 21 | 16 | 94 |
| Charitable donation | 2 | 7 | 4 |
| Telephone and communication | 35 | 45 | 40 |
| Football League Limited and Life Assurance Scheme shortfall contribution | – | – | 117 |
| Image contract costs | – | 288 | 144 |
| Bank charges | 114 | 86 | 97 |
| Computer expenses | 67 | 55 | 46 |
| Other expenses | 543 | 412 | 397 |
| | <u>4,777</u> | <u>4,660</u> | <u>4,364</u> |

3. *Other operating income*

| | 2005 £'000 | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|---------------|
| Other operating income is made up as follows: | | | |
| Donations from development funds | 279 | 275 | 389 |
| Grants released | 158 | 104 | – |
| | <u>437</u> | <u>379</u> | <u>389</u> |

4. *Net interest payable*

| | 2005 £'000 | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|---------------|
| Bank overdraft and loans – Group | 557 | 594 | 562 |
| Bank loans – share of joint venture interest | 92 | – | – |
| Finance lease interest | 2 | 5 | 25 |
| Other interest | 10 | 9 | 8 |
| | <u>661</u> | <u>608</u> | <u>595</u> |

5. *Staff costs*

| | 2005 £'000 | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|---------------|
| Staff costs during the year were as follows: | | | |
| Wages and salaries | 7,924 | 7,412 | 7,438 |
| Social security costs | 783 | 704 | 734 |
| Other pension costs | 36 | 39 | 42 |
| | <u>8,743</u> | <u>8,155</u> | <u>8,214</u> |

The average number of employees during the year was as follows:

| | 2005 Number | 2004 Number | 2003 Number |
|-------------------------------------|----------------|----------------|----------------|
| Office and management | 58 | 59 | 58 |
| Selling, marketing and distribution | 28 | 21 | 19 |
| Professional football activities | 85 | 88 | 86 |
| Stewarding and banqueting | 70 | 66 | 62 |
| | <u>241</u> | <u>234</u> | <u>225</u> |

6. *Taxation*

No provision has been made for deferred taxation on trading losses carried forward. The total amount unprovided for is approximately £4,300,000 (2004: £4,200,000; 2003: £3,800,000). At present it is not envisaged that future taxable profits will be sufficient for these timing differences to reverse.

Unrelieved tax losses of approximately £22.8 million (2004: £22 million; 2003: £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 £228,000 (2004: £183,000; 2003: £172,000). At present it is not envisaged that future taxable profits will be sufficient for the timing differences to reverse.

6. Taxation (continued)

The tax charge is explained as follows:

| | 2005 | 2004 | 2003 |
|---|----------------|----------------|--------------|
| | £'000 | £'000 | £'000 |
| Loss on ordinary activities before tax | <u>(1,215)</u> | <u>(1,626)</u> | <u>(411)</u> |
| Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2004: 19%; 2003: 19%) | (231) | (309) | (78) |
| Effect of: | | | |
| Expenses not deductible for tax purposes | 93 | 88 | 130 |
| Capitalised interest deductible for tax purposes | – | – | (12) |
| Deductions allowable for tax purposes | (80) | (71) | (114) |
| Depreciation for the period in excess of capital allowances | 36 | 15 | (11) |
| Short term timing differences | (11) | (13) | 3 |
| Utilisation of tax losses | (98) | (19) | (6) |
| Unused tax losses carried forward | 300 | 309 | 88 |
| | <u>9</u> | <u>–</u> | <u>–</u> |

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 profit for the year ended 30 June 2005 of the Company was £106,000 (2004: £45,000; 2003: £1,826,000).

8. Loss per share

The calculation of loss per share is based on the loss on ordinary activities after taxation of £1,224,000 (2004: £1,626,000; 2003: £411,000) divided by 129,599,235 (2004: 89,638,480; 2003: 52,811,703) shares being the weighted average number of shares in issue during the year.

None of the share options or contingent shares were considered to be dilutive at 30 June 2005, 30 June 2004 or 30 June 2003.

9. Intangible fixed assets

Transfer fees paid for players' registrations

| | At 30 June | | |
|------------------------|--------------|--------------|--------------|
| | 2005 | 2004 | 2003 |
| | £'000 | £'000 | £'000 |
| Group | | | |
| Cost | | | |
| At 1 July | 1,709 | 1,861 | 1,933 |
| Additions | 1,937 | 626 | 449 |
| Disposals | (912) | (778) | (521) |
| At 30 June | <u>2,734</u> | <u>1,709</u> | <u>1,861</u> |
| Amortisation | | | |
| At 1 July | 1,124 | 1,378 | 1,313 |
| Amortisation in year | 358 | 409 | 586 |
| Impairment losses | 266 | – | – |
| Released on disposal | (888) | (663) | (521) |
| At 30 June | <u>860</u> | <u>1,124</u> | <u>1,378</u> |
| Net book amount | | | |
| At 30 June | <u>1,874</u> | <u>585</u> | <u>483</u> |

10. Tangible fixed assets

| Group | <i>Freehold land and buildings £'000</i> | <i>Fixtures, plant and equipment £'000</i> | <i>Motor vehicles £'000</i> | <i>Total £'000</i> |
|--------------------------|--|--|-------------------------------------|------------------------|
| Cost | | | | |
| At 1 July 2003 | 24,368 | 1,396 | 122 | 25,886 |
| Additions | 213 | 145 | – | 358 |
| Disposals | – | – | (46) | (46) |
| At 30 June 2004 | 24,581 | 1,541 | 76 | 26,198 |
| Additions | 147 | 306 | – | 453 |
| Disposals | – | (35) | – | (35) |
| At 30 June 2005 | 24,728 | 1,812 | 76 | 26,616 |
| Depreciation | | | | |
| At 1 July 2003 | 1,215 | 1,144 | 86 | 2,445 |
| On disposals | – | – | (32) | (32) |
| Provided during the year | 413 | 190 | 11 | 614 |
| At 30 June 2004 | 1,628 | 1,334 | 65 | 3,027 |
| On disposals | – | (35) | – | (35) |
| Provided during the year | 410 | 194 | 10 | 614 |
| At 30 June 2005 | 2,038 | 1,493 | 75 | 3,606 |
| Net book amount | | | | |
| At 30 June 2005 | 22,690 | 319 | 1 | 23,010 |
| At 30 June 2004 | 22,953 | 207 | 11 | 23,171 |
| At 30 June 2003 | 23,153 | 252 | 36 | 23,441 |

The total amount of finance costs included in the cost of tangible fixed assets is £239,000 (2004: £99,000; 2003: £239,000).

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

| | <i>2005 £'000</i> | <i>2004 £'000</i> | <i>2003 £'000</i> |
|--|-----------------------|-----------------------|-----------------------|
| Fixtures, plant and equipment | 3 | 75 | 175 |
| Motor vehicles | – | – | 14 |
| Freehold and long leasehold land and buildings | – | – | 1,704 |
| | <u>3</u> | <u>75</u> | <u>1,893</u> |

11. Investments

| | |
|--|--------|
| | £'000 |
| Company | |
| Shares in subsidiary undertakings and joint venture | |
| Cost at 30 June 2003, 30 June 2004 and 30 June 2005 | 10,459 |
| Amounts written off | |
| At 30 June 2003, 30 June 2004 and 30 June 2005 | 3,480 |
| Net book amount | |
| At 30 June 2003, 30 June 2004 and 30 June 2005 | 6,979 |

The principal subsidiaries and joint venture of the Group at 30 June 2005 were as follows:

| <i>Name of Company</i> | <i>Class of share capital held</i> | <i>Proportion held</i> | <i>Nature of business</i> |
|--|------------------------------------|------------------------|----------------------------|
| 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 | Ordinary | 100% | Stewarding |
| Sheffield United (Enterprises) Limited (trading as Forsyth at Blades Enterprise Centre) | Ordinary | 100% | Business centre |
| Joint Venture | | | |
| United Scarborough Estates Group Limited | Ordinary | 50% | Property trading |

The Group's aggregate share in its joint venture comprises:

| | |
|---------------------------------|----------|
| | 2005 |
| | £'000 |
| Fixed assets | 13,252 |
| Current assets | 304 |
| Liabilities due within one year | (13,533) |
| | 23 |

12. Stocks

| | <i>Group</i> | | | <i>Company</i> | | |
|-------------------------------------|--------------|--------------|--------------|----------------|--------------|--------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Finished goods and goods for resale | 240 | 246 | 288 | – | – | – |

13. Debtors

| | <i>Group</i> | | | <i>Company</i> | | |
|------------------------------------|--------------|--------------|--------------|----------------|---------------|---------------|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 669 | 536 | 516 | – | – | – |
| Prepayments and accrued income | 392 | 477 | 760 | 22 | 3 | 3 |
| Other debtors | 18 | 54 | 233 | 7 | – | 22 |
| Amounts owed by Group undertakings | – | – | – | 14,042 | 13,351 | 12,677 |
| Amounts owed by joint venture | 2,644 | – | – | 2,644 | – | – |
| | <u>3,723</u> | <u>1,067</u> | <u>1,509</u> | <u>16,715</u> | <u>13,354</u> | <u>12,702</u> |

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

| | <i>Group</i> | | | <i>Company</i> | | |
|------------------------------------|--------------|----------|----------|----------------|---------------|---------------|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Amounts owed by Group undertakings | – | – | – | 14,042 | 13,351 | 12,677 |
| Amounts owed by joint venture | 2,644 | – | – | 2,644 | – | – |
| | <u>2,644</u> | <u>–</u> | <u>–</u> | <u>16,686</u> | <u>13,351</u> | <u>12,677</u> |

14. Creditors: amounts falling due within one year

| | <i>Group</i> | | | <i>Company</i> | | |
|---|--------------|--------------|--------------|----------------|--------------|--------------|
| | 2005 | 2004 | 2003 | 2005 | 2004 | 2003 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bank overdrafts and loans | 1,512 | 4,173 | 1,962 | 615 | 4,435 | 2,490 |
| Other loans | 13 | 29 | 120 | – | – | – |
| Trade creditors | 1,250 | 480 | 814 | 4 | 5 | 196 |
| Amounts owed to group undertakings | – | – | – | – | – | 1,106 |
| Other taxes and social security costs | 477 | 938 | 882 | – | 4 | 5 |
| Other creditors | 250 | 239 | 241 | – | 73 | – |
| Accruals | 593 | 718 | 663 | 106 | 43 | 119 |
| Hire purchase and finance lease contracts | 10 | 71 | 84 | – | – | – |
| | <u>4,105</u> | <u>6,648</u> | <u>4,766</u> | <u>725</u> | <u>4,560</u> | <u>3,916</u> |

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

Undrawn committed borrowing facilities at 30 June 2005 amounted to £3,687,000 (2004: £2,045,000; 2003: £ nil).

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

15. Creditors: amounts falling due after more than one year

| | <i>Group</i> | | | <i>Company</i> | | |
|--|---------------|---------------|---------------|----------------|---------------|---------------|
| | 2005 £'000 | 2004 £'000 | 2003 £'000 | 2005 £'000 | 2004 £'000 | 2003 £'000 |
| Bank loans | 8,486 | 5,778 | 6,497 | 7,988 | 5,052 | 5,542 |
| Other loans | 62 | 71 | 117 | - | - | - |
| Other creditors | 58 | 126 | 196 | - | - | - |
| Hire purchase and finance lease contracts | - | 10 | 81 | - | - | - |
| | <u>8,606</u> | <u>5,985</u> | <u>6,891</u> | <u>7,988</u> | <u>5,052</u> | <u>5,542</u> |

16. Borrowings

| | <i>Group</i> | | | <i>Company</i> | | |
|---|---------------|---------------|---------------|----------------|---------------|---------------|
| | 2005 £'000 | 2004 £'000 | 2003 £'000 | 2005 £'000 | 2004 £'000 | 2003 £'000 |
| In less than one year or on demand: | | | | | | |
| Bank and other borrowings | 1,512 | 4,173 | 1,962 | 615 | 4,435 | 2,490 |
| Other loans | 13 | 29 | 120 | - | - | - |
| Hire purchase and finance lease contracts | 10 | 71 | 84 | - | - | - |
| In more than one year but less than two years: | | | | | | |
| Bank and other borrowings | 843 | 718 | 718 | 615 | 490 | 490 |
| Other loans | 12 | 13 | 40 | - | - | - |
| Hire purchase and finance lease contracts | - | 10 | 77 | - | - | - |
| In more than two years but less than five years: | | | | | | |
| Bank and other borrowings | 6,259 | 3,426 | 3,654 | 5,989 | 2,970 | 2,970 |
| Other loans | 38 | 50 | 77 | - | - | - |
| Hire purchase and finance lease contracts | - | - | 4 | - | - | - |
| In more than five years: | | | | | | |
| Bank and other borrowings | 1,384 | 1,634 | 2,125 | 1,384 | 1,592 | 2,082 |
| Other loans | 12 | 8 | - | - | - | - |
| | <u>10,083</u> | <u>10,132</u> | <u>8,861</u> | <u>8,603</u> | <u>9,487</u> | <u>8,032</u> |

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 years 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.

17. Financial instruments (continued)

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 each year end was:

| | <i>Interest free</i> £'000 | <i>Interest rate</i> | | <i>Total</i> £'000 |
|-----------------------|-------------------------------|-----------------------|--------------------------|-----------------------|
| | | <i>Fixed</i> £'000 | <i>Floating</i> £'000 | |
| 30 June 2005 | | | | |
| Financial liabilities | – | 74 | 10,009 | 10,083 |
| 30 June 2004 | | | | |
| Financial liabilities | 16 | 81 | 10,035 | 10,132 |
| 30 June 2003 | | | | |
| Financial liabilities | – | 165 | 8,551 | 8,716 |

The weighted average interest rate of the fixed rate financial liabilities was 5.73 per cent. (2004: 7 per cent.; 2003: 7 per cent.). The weighted average period was one year. The benchmark rate for determining interest payments for the floating rate financial liabilities was 4.73 per cent. (2004: 3.77 per cent.; 2003: 4 per cent.).

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. The Group overdraft of £2 million expired on 30 September 2005 and was renewed at £2 million.

Maturity of financial liabilities

The Group financial liabilities analysis at 30 June 2005, 30 June 2004 and 30 June 2003 is shown in note 16.

Fair values

The fair value of the Group's financial instruments is not materially different to book value at 30 June 2005, 30 June 2004 and 30 June 2003.

18. Deferred income

| | 2005 £'000 | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|---------------|
| Group | | | |
| Advance ticket sales | 1,992 | 1,821 | 1,765 |
| Sponsorship, advertising and other income | 214 | 448 | 495 |
| Deferred grant income | 4,695 | 4,809 | 4,820 |
| | <u>6,901</u> | <u>7,078</u> | <u>7,080</u> |

19. Share capital

| | <i>Authorised</i> | | <i>Allotted, called up and fully paid</i> | |
|-----------------------------|-------------------|--------------|---|--------------|
| | <i>Number</i> | <i>£'000</i> | <i>Number</i> | <i>£'000</i> |
| Ordinary shares of 10p each | | | | |
| 30 June 2005 | 240,000,000 | 24,000 | 142,485,131 | 14,248 |
| 30 June 2004 | 200,000,000 | 20,000 | 89,638,480 | 8,964 |
| 30 June 2003 | 200,000,000 | 20,000 | 89,638,480 | 8,964 |

On 28 September 2004 the authorised share capital of the Company was increased to 240,000,000 ordinary shares of 10p each.

On 28 September 2004 the Company issued 52,846,651 additional shares of 10p each at par as a result of an open offer to shareholders.

Share option scheme

The Company operates an employee share option scheme for the benefit of senior employees. During the year ended 30 June 2005 no options were granted (2004: none; 2003: none) and no options were exercised (2004: none; 2003: none). During the year ended 30 June 2005 no share options lapsed in respect of ordinary shares (2004: 300,000; 2003: 30,000).

The share price at 30 June 2005 was 8p and the range during the year ended 30 June 2005 was 8p to 9p. At 4 November 2005 the closing share price was 19.5p.

As at each year end the total number of options outstanding under the current and previous share option schemes was as follows:

| <i>Exercisable between</i> | <i>Option price</i> | <i>Number of ordinary shares of 10p each</i> | | |
|----------------------------|-------------------------|--|----------------|------------------|
| | | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| 21/11/98 and 14/01/04 | 40p | – | – | 120,000 |
| 14/01/97 and 14/01/04 | 40p | – | – | 180,000 |
| 06/11/02 and 06/11/05 | 14p | 800,000 | 800,000 | 800,000 |
| | | <u>800,000</u> | <u>800,000</u> | <u>1,100,000</u> |

20. Share premium account and reserves

| | <i>Profit and loss account</i> £'000 | <i>Merger reserve</i> £'000 | <i>Share premium</i> £'000 |
|------------------------|---|------------------------------------|-----------------------------------|
| Group | | | |
| As at 1 July 2003 | (18,720) | 3,018 | 13,722 |
| Loss for the year | (1,626) | – | – |
| As at 1 July 2004 | (20,346) | 3,018 | 13,722 |
| Loss for the year | (1,224) | – | – |
| Cost of issuing shares | – | – | (160) |
| At 30 June 2005 | (21,570) | 3,018 | 13,562 |

Goodwill, written off against reserves on the acquisition of businesses, cumulatively amounts to £2,513,000 (2004: £2,513,000; 2003: £2,513,000).

| | <i>Profit and loss account</i> £'000 | <i>Merger reserve</i> £'000 | <i>Share premium</i> £'000 |
|------------------------|---|------------------------------------|-----------------------------------|
| Company | | | |
| As at 1 July 2003 | (19,696) | 8,186 | 13,722 |
| Profit for the year | 45 | – | – |
| As at 1 July 2004 | (19,651) | 8,186 | 13,722 |
| Profit for the year | 106 | – | – |
| Cost of issuing shares | – | – | (160) |
| At 30 June 2005 | (19,545) | 8,186 | 13,562 |

21. Reconciliation of movements in shareholders' funds

| | 2005 £'000 | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|---------------|
| Proceeds from issue of shares | 5,284 | – | 4,000 |
| Costs of issuing shares | (160) | – | (161) |
| Loss for the year | (1,224) | (1,626) | (411) |
| Total movement in shareholders' funds | 3,900 | (1,626) | 3,428 |
| Shareholders' funds at the start of the year | 5,358 | 6,984 | 3,556 |
| Shareholders' funds at the end of the year | 9,258 | 5,358 | 6,984 |

22. Net cash inflow/(outflow) from operating activities

| | 2005 £'000 | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|---------------|
| Operating loss | (1,052) | (1,424) | (302) |
| Depreciation | 614 | 614 | 618 |
| Loss on disposal of fixed assets | – | 14 | 4 |
| Amortisation of players' registrations | 358 | 409 | 586 |
| Impairment of players' registrations | 266 | – | – |
| Decrease in stocks | 6 | 42 | (160) |
| (Increase)/decrease in debtors | (12) | 442 | (445) |
| Increase/(decrease) in creditors | 127 | (408) | (1,929) |
| (Decrease)/Increase in deferred income | (197) | (95) | 631 |
| Net cash inflow/(outflow) from operating activities | 110 | (406) | (997) |

23. Reconciliation of net cash flow to movement in net debt

| | 2005 | 2004 | 2003 |
|---|-----------------|-----------------|----------------|
| | £'000 | £'000 | £'000 |
| Increase/(decrease) in cash in the period | 1,786 | (1,211) | 50 |
| Cash (outflow)/inflow from change in debt and lease financing | (1,737) | (60) | 747 |
| Changes in net debt resulting from cashflows | 49 | (1,271) | 797 |
| Net debt at the start of the year | (10,132) | (8,861) | (9,658) |
| Net debt at the end of the year | <u>(10,083)</u> | <u>(10,132)</u> | <u>(8,861)</u> |

24. Analysis of changes in net debt

| | At 30 June | Cash | Non-cash | At 1 July | Cash | Non-cash | At 1 July |
|------------------------|----------------|----------------|----------|-----------------|-----------|----------|-----------------|
| | 2003 | flow | items | 2004 | flow | items | 2003 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bank overdrafts | (1,244) | (1,211) | – | (2,455) | 786 | – | (1,669) |
| Debt due within 1 year | (838) | (909) | – | (1,747) | 891 | – | (856) |
| Debt due after 1 year | (6,614) | 765 | – | (5,849) | (2,699) | – | (8,548) |
| Finance leases | (165) | 84 | – | (81) | 71 | – | (10) |
| Total | <u>(8,861)</u> | <u>(1,271)</u> | <u>–</u> | <u>(10,132)</u> | <u>49</u> | <u>–</u> | <u>(10,083)</u> |

During the three years ended 30 June 2005 the Group did not enter into any finance lease arrangements in respect of any assets.

25. Capital commitments

Capital commitments at the year ended 30 June 2005 amounted to £100,000 (2004: £nil; 2003: £nil).

26. Contingent assets and liabilities

At 30 June 2005 the Company has given a guarantee to secure borrowings from Halifax Bank of Scotland to its wholly owned subsidiaries. At 30 June 2005 the amount guaranteed was £1,391,000 (2004: £950,000; 2003: £1,182,000).

27. Pension commitments

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

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

Contributions charged to the profit and loss account during the period, excluding the contributions towards shortfall noted on page 47 amounted to £36,000 (2004: £39,000; 2003: £42,000).

28. *Commitments under operating leases*

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

| | 2005 <i>Other</i> £'000 | 2004 <i>Other</i> £'000 | 2003 <i>Other</i> £'000 |
|--|-------------------------------|-------------------------------|-------------------------------|
| Group | | | |
| Leases expiring within one year | 3 | 3 | 4 |
| Leases expiring within two to five years | 1 | 1 | 3 |
| Leases expiring after five years | – | – | 1 |
| | <u>4</u> | <u>4</u> | <u>8</u> |

29. *Deferred signing-on and transfer fees payable*

Commitments in respect of deferred signing-on fees and loyalty payments due to players under contract at 30 June 2005 and not provided in the financial statements amounted to £459,000 (2004: £85,000; 2003: £88,000). Such fees are charged to the profit and loss account in the period in which payment becomes probable.

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 £720,000 (2004: £225,000; 2003: £250,000).

30. *Related party transactions*

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

The Company had borrowings of £1,650,000 with HSBC Bank plc up to August 2002. The repayment of these loans was guaranteed by Mr M D Dudley, Mr A J Laver and Scarborough Property Group plc, a company in which Mr K C McCabe has a controlling interest. From August 2002 to the year ended 30 June 2003 the Company had borrowings of £3,067,750 with Bank of Scotland. These loans were guaranteed by Mr M D Dudley, Mr A J Laver, Mr A M Bamford and Scarborough Property Group plc, a company in which Mr K C McCabe has a controlling interest. These loans were repaid by the Company in the year ended June 2003 and the guarantees were released.

An amount included within trade creditors at 30 June 2002 of £753,000 which was assigned to Scarborough Property Group plc in July 2002 was repaid in the year ended 30 June 2003.

In the year ended 30 June 2003, the Group repaid to Scarborough Property Group plc the sum of £350,000 borrowed by the Group in the year ended 30 June 2002. Of the £170,000 borrowed from Mr M D Dudley in the year ended 30 June 2002, the Group had repaid £150,000 by 30 June 2003. The remainder of the loan has since been repaid.

On 24 May 2002, Scarborough Property Group plc agreed to provide up to £1,500,000 to the Group in the form of unsecured loan stock notes carrying interest at 4 per cent. per annum over the base rate from time to time of the Bank of Scotland. The condition to the drawdown of £1,000,000 of this facility was not satisfied. By a letter of variation dated 30 April 2003 Scarborough Property Group plc agreed that unless the Club was promoted to the Premier League, the facility was extended to enable £500,000 to be drawn down to the extent that loan monies expected to be received from the Football league were not received and a further £500,000 to be drawn down to the extent that income from player sales was less than forecast.

30. Related party transactions (continued)

The loan stock notes were not issued but, in place of such loan notes, on 1 January 2004 Scarborough Property Company Plc, a company indirectly controlled by Mr K C McCabe and his immediate family, entered into a guarantee in favour of the Bank of Scotland to guarantee a maximum amount of £1,000,000 of the Group's borrowings with that bank. Following completion of a previous open offer on 30 September 2004, this guarantee was released.

A loan was made by Sheffield United plc in the year ended 30 June 2005 to United Scarborough Estates Group Ltd, a joint venture company in which SPC Group plc, a company controlled by Kevin McCabe, owns a 50 per cent. shareholding. The amount of the loan outstanding at 30 June 2005 is disclosed in note 13.

C. Forecast operating loss for the year ending 30 June 2006

Having made due and careful enquiry, the Directors forecast that, on the basis and assumptions set out below and in the absence of unforeseen circumstances, the Group will make an operating loss (including the share of operating profit in the joint venture) before taxation for the year ending 30 June 2006 (“**Loss Forecast**”).

Basis of Preparation

The Loss Forecast as set out above is based on the unaudited management accounts for the 5 months ended 30 November 2005 and a forecast to 30 June 2006.

In preparing the Loss Forecast, the Directors have made the following principal assumptions which, save for the assumption in paragraph (i) below, are outside their control:

- (i) player and football management wages for the year ending 30 June 2006 will be £8.625 million;
- (ii) the Club will remain in the Championship league and will not achieve promotion to the Premier League or qualify for the end of season play off matches during the current 2005/06 season;
- (iii) the average crowd for home league matches for the current 2005/06 season will be 21,948;
- (iv) the Group’s share of operating profits from USE (the joint venture) for the year ending 30 June 2006 will be £2.026 million;
- (v) the Group’s share of interest charges from USE (the joint venture) for the year ending 30 June 2006 will be £1.052 million;
- (vi) there will be no significant change in current Bank of England base lending rates of 4.5 per cent. per annum;
- (vii) there will be no significant change in the rates of taxation in the United Kingdom;
- (viii) there will be no significant change in economic conditions; and
- (ix) there will be no material change in regulations or legislation in the United Kingdom affecting the Group.

Our Ref CF/DKG/SWB/S03297/Ltr9

The Directors
Sheffield United plc
Bramall Lane
SHEFFIELD
S2 4SU

and

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
LONDON
EC2N 1PH

8 February 2006

Dear Sirs

SHEFFIELD UNITED PLC – REPORT ON A PROFIT FORECAST

We report on the profit forecast comprising a forecast of operating loss (including the share of operating profit in the joint venture) before taxation of Sheffield United plc (the Company) and its subsidiaries (together the Group) for the year ending 30 June 2006 (the Loss Forecast). The Loss Forecast, and the material assumptions upon which it is based, are set out on page 60 of the Prospectus issued by the Company dated 8 February 2006 (the Prospectus). This report is required by the Prospectus Regulation and is given for the purpose of complying with that Relevant Regulation and for no other purpose.

RESPONSIBILITIES

It is the responsibility of the directors of Sheffield United plc to prepare the Loss Forecast in accordance with the requirements of the Prospectus Regulation.

It is our responsibility to form an opinion as required by the Prospectus Regulation as to the proper compilation of the Loss Forecast and to report that opinion to you.

BASIS OF PREPARATION OF THE LOSS FORECAST

The Loss Forecast has been prepared on the basis stated on page 60 of the Prospectus and is based on the un-audited management accounts for the 5 months ended 30 November 2005 and a forecast to 30 June 2006. The Loss Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information included in the Loss Forecast has been prepared and considering whether the Loss Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Loss Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate whether any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of

Loss Forecast have not been disclosed and whether any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Loss Forecast has been properly compiled on the basis stated.

Since the Loss Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Loss Forecast and differences may be material.

OPINION

In our opinion, the Loss Forecast has been properly compiled on the basis of the assumptions made by the Directors and the basis of accounting used is consistent with the accounting policies of the Group.

DECLARATION

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

GRANT THORNTON UK LLP



Sheffield United plc
Bramall Lane
SHEFFIELD
S2 4SU

8 February 2006

Dear Sirs

Sheffield United plc (the “Company”)

We refer to the statement, set out in paragraph 5 of Part I and section C of Part IV of the prospectus of the Company dated 8 February 2006 (the “Prospectus”), relating to the Company’s forecast of operating loss (including the share of operating profit in the joint venture) before taxation of the Company and its subsidiaries (together the “Group”) for the year ending 30 June 2006 (the “Loss Forecast”), for which the Directors of the Company are solely responsible.

Having discussed the Loss Forecast, the Group’s accounting policies, relevant calculations and the bases of preparation of the Loss Forecast with you and Grant Thornton UK LLP and having considered the letter from Grant Thornton UK LLP set out in section C of part IV of the Prospectus, we are satisfied that the Loss Forecast has been made after due and careful enquiry by the directors of the Company.

Yours faithfully

Simon Hayes
for and on behalf of
KBC Peel Hunt Ltd

KBC Peel Hunt Ltd

111 Old Broad Street London EC2N 1PH

A member of the KBC Group and the London Stock Exchange. Regulated by the Financial Services Authority.

Registered in England and Wales No: 2320252. Registered office as above.

PART V

SUMMARY OF THE ACQUISITION AGREEMENT

Following the approval of the Resolutions and completion of the Open Offer, the Club intends to enter into the Acquisition Agreement which shall govern the terms of the Acquisition. The principal terms of the Acquisition Agreement can be summarised as follows:

1. The Club will purchase from Wheatsheaf Park (Staines) Limited the freehold property where the Thames Club is based and the entire issued share capital of Thames Club Limited.
2. The consideration payable under the Acquisition Agreement shall be a sum of £4,000,000 to be paid in cash on completion of the Acquisition Agreement.
3. The Vendor will give certain warranties to the Club in relation to, *inter alia*, employment, insurance, litigation, trading matters, licences and consents and taxation and an indemnity in relation to a specific employment related matter and an equipment related matter. Claims for breach of warranties other than those relating to taxation matters contained in the Acquisition Agreement must be notified to the Vendor on or before 18 months from the date of completion of the Acquisition and in the case of all taxation warranty claims and claims under the tax covenant on or before the seventh anniversary of completion.
4. The maximum aggregate liability of the Vendor under the Acquisition Agreement is limited to the higher of either the amount of the outstanding loan due from Thames Club Limited to the Vendor at completion or £200,000. No amount is payable by the Vendor unless and until the aggregate cumulative liability of the Vendor in respect of all warranty claims (other than for a claim in relation to the debtors of Thames Club Limited) is equal to or exceeds £10,000 in which case the Vendor will be liable for both the £10,000 and the excess.
5. The Vendor will provide restrictive covenants to the Club for a period of 12 months from completion.
6. To the extent that any warranty claim arises within six months of completion the Club can set off the amount of the substantiated warranty claim against the amount of the loan which Thames Club Limited owes to the Vendor.

PART VI

ADDITIONAL INFORMATION

1. Persons Responsible

- (a) The Company and the Directors, whose names and functions are set out in paragraph 6(a) of this Part VI accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.
- (b) The members of the Concert Party who are not also Directors accept responsibility for the information contained in this document relating to them. To the best of the knowledge and belief of the members of the Concert Party who are not also Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and contains no omission likely to affect the import of such information.
- (c) Grant Thornton UK LLP of 2 Broadfield Court, Sheffield, S8 0XF accepts responsibility for its report on the financial information relating to the Group contained in section A of Part IV of this document and for its report on the loss forecast contained in section C of Part IV of this document. To the best of the knowledge and belief of Grant Thornton UK LLP (which has taken all reasonable care to ensure that such is the case), the information contained in such report is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Company and the Company's share capital

- (a) The Company was incorporated and registered in England and Wales as a private company limited by shares on 13 July 1945 under the Companies Act 1929 with the name Arthur Henriques Limited and with registered number 396956 and was re-registered on 28 October 1981 as a public limited company under the Companies Act 1948 to 1980 as Arthur Henriques Public Limited Company. On 28 August 1985, the Company changed its name to Top Value Industries Public Limited Company, on 6 June 1989 it changed its name to Conrad Continental plc, on 19 April 1993 it changed its name to Conrad plc and on 14 January 1997, changed its name to Sheffield United plc. The principal legislation under which the Company operates is the Act. The liability of the members of the Company is limited. The Company's registered office and principal place of business is at Bramall Lane Sheffield S2 4SU. The telephone number for the registered office is 0870 442 8813. The Company will not be able to provide advice on the merits of the Open Offer or any of the other Proposals nor give any investment or financial advice.
- (b) As background, the following are the important events in the development of the Company's business:

January 1997

Sheffield United Football Club Limited completes a reverse take-over into Conrad plc and share dealing commences on the London Stock Exchange. 20,840,000 shares are placed in an open offer at 60p per share.

June 2000

Construction of the Blades Enterprise Centre at the stadium commences and the Company acquires the freehold site at Shirecliffe Road, Sheffield which is to be the site for the Youth Academy.

September 2001

The Blades Enterprise Centre opens on 13 September 2001 and construction on the Youth Academy commences.

December 2002

The Youth Academy is opened.

March 2004

An agreement is reached with Las Vegas Sands Inc to form a joint venture for the purposes of the development of a 200,000 sq ft entertainment complex, incorporating a casino and hotel, which is proposed to be constructed behind the South Stand at Bramall Lane.

December 2004

The Company develops and manages the Hainan Academy in China.

March 2005

The Company invests, with SPC Group, in a new property trading and investment joint venture company called United Scarborough Estates Group Limited with the Company holding a 50 per cent. interest in that company.

- (c) The authorised and issued share capital of the Company as at 30 June 2005 and as at the date of this document is as follows:

| | <i>No.</i> | <i>£</i> |
|---------------------------------------|-------------|---------------|
| Authorised Ordinary Shares | 240,000,000 | 24,000,000.00 |
| Existing Ordinary Shares (fully paid) | 142,485,131 | 14,248,513.10 |

- (d) The Directors are currently authorised pursuant to section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £4,749,504 for the period expiring on the earlier of 15 months from 12 December 2005 and the commencement of the next annual general meeting of the Company. 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 to allot had not expired.
- (e) Resolution 2 to be proposed at the Extraordinary General Meeting seeks to authorise the Directors to allot the Offer Shares in addition to the existing authority of Directors to allot relevant securities referred to in paragraph 2(d) above.
- (f) The provisions of section 89(1) of the Act which, to the extent not disapplied pursuant to section 95 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company except to the extent that they were disapplied by a special resolution passed at the annual general meeting of the Company held on 12 December 2005. Pursuant to that special resolution, the Directors were empowered to issue equity securities pursuant to a rights issue or other offer and otherwise to issue equity securities up to an aggregate nominal amount of £712,425 during the period expiring on the earlier of 15 months from 12 December 2005 and the commencement of the next annual general meeting of the Company unless renewed or extended prior to such time. The Company may, before the expiry of such power 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 pursuant to any such offer or agreement as if the authority to allot had not expired.
- (g) Resolution 3 to be proposed at the Extraordinary General Meeting seeking to empower the Directors pursuant to section 95 of the Act to allot the Offer Shares as if section 89 of the Act did not apply to such allotment, in addition to the existing power of Directors to allot equity securities referred to in paragraph 2(f) above.

- (h) The authorised and issued share capital of the Company as it is expected to be following the Open Offer (on the assumption that all of the Offer Shares are subscribed for) is as follows:

| | <i>No.</i> | <i>£</i> |
|---------------------------------------|-------------|---------------|
| Authorised Ordinary Shares | 265,000,000 | 26,500,000.00 |
| Issued and fully paid Ordinary Shares | 213,727,696 | 21,372,769.60 |

- (i) There have been the following changes to the amount of authorised Ordinary Shares during the three years ended 30 June 2005 (being the period covered by the financial information set out in Part IV of this document):

| <i>Year end</i> | <i>Changes to the authorised Ordinary Shares</i> |
|-----------------|--|
| 2003 | Increased by 110,000,000 Ordinary Shares |
| 2004 | None |
| 2005 | Increased by 40,000,000 Ordinary Shares |

- (j) The table below sets out the changes to the allotted, called up and fully paid Ordinary Shares in the capital of the Company for the three year period ended 30 June 2005 (being the period covered by the financial information in Part IV of this document):

| <i>Year end</i> | <i>Ordinary Shares</i> | <i>£</i> |
|-----------------|------------------------|---------------|
| 30 June 2003 | 89,638,480 | 8,963,848 |
| 30 June 2004 | 89,638,480 | 8,963,848 |
| 30 June 2005 | 142,485,131 | 14,248,513.10 |

The change to the allotted share capital during the period was that on 28 September 2004, 52,846,651 Ordinary Shares were issued under an open offer to shareholders at a price of 10p per Ordinary Share.

- (k) The following is a reconciliation of the number of Ordinary Shares outstanding at the beginning and end of the financial year ended 30 June 2005:

| <i>Date</i> | <i>Description</i> | <i>No: of Ordinary Shares</i> |
|-------------------|--------------------|-------------------------------|
| 30 June 2004 | Balance at end | 89,638,480 |
| 28 September 2004 | Issue of shares | 52,846,651 |
| 30 June 2005 | Balance at end | 142,485,131 |

- (l) As at the date of this document, the Company has no outstanding convertible securities, exchangeable securities or securities with warrants.
- (m) As at the date of this document, no options over Ordinary Shares are outstanding to employees or former employees of the Group.

3. Memorandum of Association

The Memorandum of Association provides that the principal object of the Company is to act as a holding company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association.

4. Articles of Association

The Articles of Association of the Company (the "Articles") include provisions to the following effect:

(a) ***Rights attaching to Ordinary Shares***

(i) ***Voting***

Subject to any special rights, restrictions or prohibitions for the time being attached to any class of shares, on a show of hands every member present in person and entitled to vote shall have one vote only and, on a poll, every member present or by proxy and entitled to vote shall have one vote for each share of which he is the holder. No member shall be entitled to vote unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

(ii) *Dividends*

The Company may declare dividends in general meeting, but no dividend shall exceed the amount recommended by the directors. The directors may pay such interim dividends as appear to them to be justified by the profits of the Company. No dividend shall be paid otherwise than out of profits. Subject to the rights of persons holding shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares on which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend unclaimed after a period of twelve years from its date of declaration shall be forfeited and shall revert to the Company.

(iii) *Distribution of assets on a winding up*

On a winding-up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other sanction required by law, divide among the members *in specie* or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of contributories as he may determine. However, no member shall be compelled to accept any shares or other securities whereon there is any liability.

(b) ***Transfer of shares***

A member may transfer all or any of his shares:

- (i) in the case of certificated shares, by instrument in writing in any usual or common form, or in such other form as the Board shall from time to time approve; and
- (ii) in the case of uncertificated shares, in accordance with and subject to the Uncertificated Securities Regulations 2001 and the facilities and requirements of the relevant scheme concerned (as defined in the Uncertificated Securities Regulations 2001).

The instrument of transfer of any certificated share shall be executed by or on behalf of the transferor and (except in the case of a fully paid share) by or on behalf of the transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The directors may in their absolute discretion and without assigning any reason decline to register any transfer of any share, not being a fully paid share provided that such action does not prevent dealings in the shares from taking place on an open and proper basis.

The directors may also decline to recognise any instrument of transfer unless:

- (i) the instrument of transfer of a certificated share is accompanied by the certificate of shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; or
- (ii) the instrument of transfer of a certificated share is in respect of only one class of share.

If the directors refuse to register a transfer, they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

The registration of transfers may be suspended and the Register of Members closed during the fourteen days immediately preceding every annual general meeting of the Company, and at such other times (if any) and for such period as the directors may from time to time determine, provided always that the register shall not be closed for more than thirty days in any year.

If a shareholder or any person appearing to be interested in shares held by such shareholder has been duly served with a notice under section 212 of the Act and is in default for the prescribed period in supplying to the Company information required, then, unless the directors otherwise determine, the shareholder shall not (for so long as the default continues and in respect of these shares (“**Default Shares**”) in relation to which the shareholder is in default), nor shall any transferee to whom any such shares are transferred other than pursuant to an approved transfer, be entitled to vote either personally or by proxy at a shareholders’ meeting, or to exercise any right which is conferred by virtue of holding shares in relation to shareholders’ meetings.

Where the Default Shares represent 0.25 per cent., or more of the class of shares concerned, the directors may serve on such shareholder or person a notice (“**Direction Notice**”) directing that any dividend or part thereof or other money which would otherwise be payable on such Default Shares shall be retained by the Company without liability to pay interest thereon. A Direction Notice may also direct that no transfer of any of the shares held by the shareholder shall be registered other than as an approved transfer. The prescribed period referred to above means 14 days from the date of service of the notice under section 212 of the Act where the Default Shares represent 0.25 per cent. or more of the class of shares concerned and 28 days in all other cases. Any Direction Notice shall cease to have effect in relation to any shares which are transferred by such shareholder by means of an approved transfer.

(c) ***Redemption***

Subject to the Act, any preference shares may with the sanction of an ordinary resolution be issued on terms that they are, or at the option of the Company are, liable to be redeemed on such terms and in such manner as the Company before the issue of the shares may by special resolution determine.

(d) ***Alteration of capital***

The Company may by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate all or any of its share capital into shares of larger amounts than its existing shares;
- (iii) cancel any shares which at the date of passing of the resolution have not been taken, or agreed to be taken by such person; and/or
- (iv) sub-divide its existing shares or any of them into shares of smaller amounts than is fixed by the memorandum of association subject nevertheless to the provisions of section 61 (1) (d) of the Act.

The Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner and with and subject to any conditions, authorities and consents required by law.

(e) ***Variation of rights***

Subject to the Act, all or any of the special rights or restrictions attached to any class of shares in the capital of the Company may be varied with the consent in writing of the holders of not less than three fourths of the issued shares of the class, or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. At every such separate meeting (except an adjourned meeting) the quorum shall be not less than two persons personally present and holding or representing by proxy one third of the issued shares of the class and at an adjourned meeting any two holders of shares of the class who are personally present shall constitute a quorum.

(f) ***Calling of annual general meetings and extraordinary general meetings***

The Company must in each year hold an annual general meeting (“**AGM**”). Not more than 15 months must elapse between AGMs. An AGM must be convened unless all Shareholders entitled to attend and vote agree to short notice on giving 21 days’ notice in writing to all Shareholders of the Company.

Other meetings can be convened by the Company from time to time referred to as extraordinary general meeting. The length of written notice to convene such a meeting varies depending on the nature of the business to be transacted. If the meeting is for the passing of an ordinary resolution or extraordinary resolution, then generally 14 days' written notice to convene an extraordinary general meeting is required. If the meeting is for the passing of a special resolution or a resolution appointing or re-appointing a person as director or, save as provided in the applicable statutes, a resolution of which special notice has been given to the Company then 21 days' notice must be given.

Extraordinary general meetings can be convened on shorter notice with the agreement of Shareholders having a right to attend and vote thereat being a majority holding not less than 95 per cent. in the Shares giving that right.

Shareholders need not attend a meeting of the Company in person but can do so by way of a validly appointed proxy. Proxies are appointed in accordance with the Articles. To be validly appointed, details of the proxy must be lodged at the Company's registered office no later than 48 hours before the commencement of the relevant meeting. Failure to lodge details of the appointed proxy in accordance with the Articles could result in the vote of the proxy being excluded on any resolution and possibly to the exclusion of the proxy from the meeting unless they were also a Shareholder.

If a Shareholder is a corporation, whether or not a company, it can pass a resolution of its directors or other governing body to authorise such person as it thinks fit to act as its representative at any meeting of the Company.

(g) **Directors**

Business of directors

- (i) The business of the Company shall be managed by the directors, who may exercise all the powers of the Company, subject to the provisions of the Articles and the Act and to such directions as may be given by the Company by special resolution.
- (ii) Unless otherwise determined by ordinary resolution of the Company, there must be at least two directors and no more than twelve directors.
- (iii) A director need not be a shareholder, and a director who is not a shareholder can still attend and speak at the shareholders' meetings.

Director appointment and remuneration

- (iv) The directors can appoint any director to be the holder of any executive office. So far as the relevant statutes allow, the directors may determine the salary or remuneration of any executive. They can also vary or end such appointments, without prejudice to any claim for breach of any contract entered into in any particular case between the director and the Company.
- (v) Unless determined otherwise by the Company in a general meeting the remuneration of the directors for their services as directors shall be at the rate of £100 per annum each. The Company may vote for extra remuneration to be paid to the directors at a general meeting. The directors are also entitled to be paid all travelling, hotel and other expenses properly incurred in attending and returning from general meetings, directors' meetings and meetings of committees of the directors or in connection with the business of the Company.
- (vi) The directors can award extra remuneration, which is additional to fees payable as described above, to any director who is willing to render any special or extra services to the Company or to go or reside abroad in connection with the conduct of any business of the Company. Special pay can take the form of a lump sum, salary, participation in profits, or by any or all of these methods.
- (vii) The directors can decide to award pensions, annual payments, bonuses, gratuities or other allowances or benefits to any persons who are, or were directors of the Company or of any predecessor in business of the Company or to any person who is or was dependent on him or

connected with him. The directors can decide to contribute to any scheme or fund or to pay premiums to a third party for these purposes. The directors may also give security charged on the undertaking or property of the Company to any director incurring personal liability on behalf of the Company.

- (viii) The directors can arrange for the Company to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers or employees of the Company, its subsidiary undertakings, their predecessors in business and certain other companies.

Director's interests

- (ix) A director cannot cast a vote on any contract or arrangement in which he has an interest and if he does so his vote shall not be counted, other than as described below. For this purpose, interests of a person who is connected with a director under section 346 of the Act are added to the interests of the director himself. Interests purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. In relation to an alternative director an interest of his appointer shall be treated as an interest of the alternative director. This is in addition to any interest which the alternative director has in his own right. A director may not be included in the quorum of a meeting in relation to any resolution he is not allowed to vote on.
- (x) However, if the Act allows this, a director can vote and be counted in the quorum on any resolution about any of the following matters, as long as the only material interest he has in it are included in the following list:
- the giving of any security or indemnity to him for any money lent or obligation incurred by him for the benefit of the Company;
 - the giving of any security or indemnity to a third party for a debt or obligation of the Company, for which the director has taken responsibility for some or all of that debt or obligation under a guarantee or indemnity or by the giving of security;
 - any proposal relating to an offer of any shares or debentures of or by the Company for subscription or purchase if the director takes part in the underwriting or sub-underwriting of the offer;
 - any contract or arrangement with any other company in which the director is interested only as an officer of the Company or as holder of shares or other securities;
 - a retirement benefits scheme under which he may benefit;
 - the granting of allowances, gratuities and bonuses to the Directors.

Retirement and removal of directors

- (xi) The Articles contain at regulations 100-107 provisions requiring one-third of the directors to retire by rotation at the annual general meeting in every year. Such directors retiring by rotation will be those who have been in office the longest since their last appointment or reappointment.
- (xii) Subject to the Articles, the Act, and all other relevant statutes and regulations, no director or proposed or intended director shall be disqualified by his or her office from contracting with the Company either with regard to his or her tenure of any office or place of profit, or as vendor, purchaser or otherwise. No such contract in which any director is in any way, whether directly or indirectly, interested shall be liable to be avoided, nor shall any director who enters into any such contract or who is so interested be liable to account to the Company for any profit realised by any such contract by reason of such director holding that office or of the fiduciary relation thereby established.
- (xiii) The provisions of the Act restricting the appointment of a director or requiring him to stop being a director because he has attained the age of seventy or other age do not apply to the Company.

(xiv) Without prejudice to the provisions of the Act, the Company may by ordinary resolution of which special notice has been given, remove a director before the expiration of the term of his office and may by ordinary resolution appoint another director in his place.

(h) **Borrowing powers**

The directors shall restrict the borrowings of the Company and exercise all voting and other rights, or powers of control exercisable by the Company in relation to its subsidiaries and subsidiary undertakings so far as to secure (as regards subsidiaries and subsidiary undertakings so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all monies borrowed by the Company and/or its subsidiaries and subsidiary undertakings (exclusive of monies borrowed by the Company from and for the time being owing to any such subsidiary or by any such subsidiary from and for the time being owing to the Company or another such subsidiary) shall not at any time without the previous sanction of an ordinary resolution exceed twice the aggregate of the following:

- (a) the amount paid up on the issued share capital of the Company;
- (b) the amounts respectively standing in the books of the Company to the credit of (i) any reserve of a capital nature, (ii) the share premium account, (iii) plus or minus the amount standing to the credit or debit as the case may be of the profit and loss account of the Company and (iv) all other reserves save any reserve for future taxation,

and for the purposes of the limits the issue of debentures shall be deemed to constitute borrowing notwithstanding that the same may be issued in whole or in part for a consideration other than cash.

5. Subsidiary Undertakings and Investments

- (a) The Company acts as the holding company of the Group, the principal activities of which are a professional football club, leisure, conference and banqueting, stewarding, corporate hospitality business and centre and property ownership through United Scarborough Estates Group Limited a jointly owned property corporation with SPC Group. The significant subsidiaries of the Company and other undertakings in which the Company holds, directly or indirectly, a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses are as follows:

| <i>Company name</i> | <i>Percentage interest</i> | <i>Country of incorporation</i> | <i>Principal activity</i> |
|--|----------------------------|---------------------------------|----------------------------|
| The Sheffield United Football Club Limited | 100% | England and Wales | Professional football club |
| Blades Catering Limited | 100% | England and Wales | Conference and banqueting |
| Bobby Charlton International Limited | 100% | England and Wales | Royalty income |
| Cranbourne Limited (trading as Taylor Made Sports) | 100% | England and Wales | Corporate hospitality |
| Premier Sports Services Limited (trading as Major Event Security Services) | 100% | England and Wales | Stewarding |
| Sheffield United (Enterprises) Limited | 100% | England and Wales | Business Centre |

Joint Venture

| | | | |
|--|-----|-------------------|------------------|
| United Scarborough Estates Group Limited | 50% | England and Wales | Property trading |
|--|-----|-------------------|------------------|

- (b) The principal investment of the Company and the Group during the three year period ended 30 June 2005 (being the period covered by the financial information contained in Part IV of this document) is that in March 2005, United Scarborough Estates Group Limited was formed as a 50:50 jointly owned property corporation with SPC Group. Further details of the joint venture are set out in paragraph 15(d) of this Part VI.

- (c) The principal investment in progress and the principal future investment on which firm commitments have been made is the construction of the corner stand at an approximate cost of £2.75 million. This is currently being funded by bank facilities provided by Bank of Scotland and, otherwise, will be funded from the net underwritten proceeds of the Open Offer.

6. Directors and Senior Managers

(a) *Directors of the Company*

The directors of the Company are:

Kevin Charles McCabe (*Executive Chairman*)
 Jason Rockett (*Chief Executive Officer*)
 Mark Thomas Fenoughty (*Chief Operating Officer*)
 Michael Douglas Dudley (*Non-executive Director*)
 Andrew James Laver (*Non-executive Director*)
 John Lewis Burnley (*Non-executive Director*)

The business address of each of the Directors in respect of the Company is Bramall Lane, Sheffield, S2 4SU.

(b) The following are the Senior Managers:

- (i) Neil Warnock (football manager)
- (ii) Stuart McCall (assistant football manager)
- (iii) Terry Robinson (football consultant)

(c) *Interests in the share capital of the Company*

As at the close of business on 7 February 2006 (being the latest practicable date prior to the publication of this document), the interests of the Directors and persons connected with them in the share capital of the Company which had been notified to the Company pursuant to sections 324 or 328 of the Act or which are required to be entered into a register maintained by the Company under section 325 of the Act or which are (so far as is known or could with reasonable due diligence be ascertained by the relevant Director) interests of a person connected (within the meaning of section 346 of the Act) with a Director and which would be required to be disclosed if they were interests of that Director are and, immediately following the Underwriting, are expected to be as follows:

| | <i>On the basis of existing ordinary share capital</i> | | <i>On the basis of issued share capital immediately following the Underwriting¹</i> | |
|--------------------------|--|----------|--|----------|
| | <i>No. of Existing Ordinary Shares</i> | <i>%</i> | <i>No. of Ordinary Shares</i> | <i>%</i> |
| K C McCabe ² | 67,329,360 | 47.25 | 122,996,026 | 61.25 |
| J Rockett | Nil | Nil | Nil | Nil |
| M T Fenoughty | 100,000 | 0.07 | 100,000 | 0.05 |
| M D Dudley | 13,877,001 | 9.74 | 13,877,001 | 6.91 |
| A J Laver ³ | 3,116,713 | 2.22 | 3,116,713 | 1.55 |
| J L Burnley ⁴ | 1,500,525 | 1.05 | 2,833,858 | 1.41 |

Notes:

- (1) The interests immediately following the Underwriting are based on the assumption that the Underwriters are required to subscribe for their Underwriting commitments in full. The interests following the Open Offer also assume that no Shareholders other than the Underwriters take up their entitlements under the Open Offer and that the possible transfers of the Ordinary Shares held by Scott McCabe and Simon McCabe referred to in paragraph 11(d) of this Part VI have not taken place at such time.

- (2) Of the existing shareholding of K C McCabe 698,040 Ordinary Shares are not beneficially held. K C McCabe's shareholding is divided as follows as at 7 February 2006 (being the latest practicable date prior to the publication of this document):

| <i>Shareholder</i> | <i>No of Ordinary Shares</i> |
|--|------------------------------|
| Scarborough | 48,700,000 |
| Scarborough Group Holdings plc | 17,615,540 |
| The White House Discretionary Trust | 310,240 |
| SCOSIM Limited | 232,680 |
| Aon Pension Trustees Limited (on behalf of the Scarborough Executive Pension Scheme) | 310,240 |
| Sandra McCabe on behalf of the Trustees of the White House IIP Trust | 155,120 |
| K C McCabe | 5,540 |

Details of proposed transfers of the above Ordinary Shares are set out in paragraph 11(d) of this Part VI.

- (3) The shareholding of AJ Laver includes 506,188 Ordinary Shares which are not beneficially held.
- (4) JL Burnley's interests in Ordinary Shares are all held by Craftglen.
- (d) Save as set out below, no Senior Managers have any interest in the share capital of the Company.

| <i>Senior Manager</i> | <i>Number of Ordinary Shares</i> |
|-----------------------|----------------------------------|
| Neil Warnock | 101,820 |
| Terry Robinson | 100,000 |

- (e) In respect of any Director or Senior Manager, there are no conflicts of interest between any duties they may have to the Company and their private interest and/or other duties they may have in addition save for any such conflicts which may arise.
- (i) in respect of Kevin McCabe and/or John Burnley by virtue of their directorships of Scarborough (being one of the Underwriters and a substantial shareholder in the Company), SDG Caledonia (being the parent company of the Vendors) or any of the other associated companies of Scarborough (details of which are included in paragraph 6(g) below) or by virtue of their share interests (direct or indirect) in Scarborough (details of which are set out in paragraph 6 of Part I of this document) or by virtue of their share interests in SDG Caledonia (details of which are set out in paragraph 1 of Part 1 of this document);
- (ii) in respect of John Burnley by virtue of his directorship and shareholding in Craftglen Limited (being one of the Underwriters);
- (iii) in respect of Jason Rockett by virtue of his directorship of Scarborough Development Group plc (an associated company of Scarborough).

By reason of such directorships and interests, Kevin McCabe, John Burnley and Jason Rockett have been determined not to be Independent Directors in connection with the Code Waiver and Kevin McCabe and John Burnley and their connected persons are deemed by the Panel not to be Independent Shareholders in connection with the Code Waiver, as described in paragraphs 1 and 11 of Part I of this document.

- (f) *Interests in transactions*

The Group has during the financial year ended 30 June 2005 and the current financial year purchased goods and services from, and sold services to, companies in which certain Directors hold, and have held, interests. Such transactions were all undertaken on an arms-length basis and were not considered to be material to either the Group or the related parties, with the exception of a loan made by the Company in the year ended 30 June 2005 to United Scarborough Estates Group Limited, a joint venture company in which SPC Group, owns a 50 per cent. shareholding. As at the close of business on 7 February 2006 (being the latest practicable date prior to publication of this document) the amount of the loan outstanding was approximately £4.215 million.

Save as disclosed above, no Director or Senior Manager has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group

and which was effected by the Company in the current or immediately preceding financial year of the Company or which was effected in an earlier financial year and remains in any respect outstanding or unperformed.

(g) *Directorships and partnerships*

The following are directorships and partnerships of which any of the Directors or Senior Managers are currently directors or partners or have been directors or partners at any time in the five years prior to the date of this document:

Kevin Charles McCabe:

Current directorships

Allendale Restaurant Limited
Ancient Mariner Properties Limited
Ashcross Services Limited
Bay Hotel (Seaton) Limited
BP Pepys (2) Limited
BP Pepys Limited
Borofield Properties Limited
Boroton Developments Limited
Boroton Properties Limited
Bouquet Limited
Chester Meadow Limited
Chester Meadow One Limited
Chester Meadow Properties Limited
Chester Meadow Three Limited
Chester Meadow Two Limited
Christchurch Properties (Northern) Limited
City of Stirling Business Parks Limited
City of Stirling Business Parks (Investments) Limited
Coleridge (No. 36) Limited
CSBP Clackmannanshire Developments Limited
CSBP Clackmannanshire Investments Limited
Doncaster Bus Station Holdings Limited
Doncaster Bus Station Limited
Ellisridge Limited
Ellisridge Suites Limited
Esplanade Consultants Limited
Esplanade Homes (Rochester) Limited
Esplanade Investors Limited
Europa Director Limited
Europa Homes Limited
Fairbriar Ascot Limited
Fairbriar Developments Limited
Fairbriar Group plc
Fairbriar Holdings Limited
Fairbriar Homes Limited
Fairbriar Homes (Purley) Limited
Fairbriar House Limited
Fairbriar Investments Limited
Fairbriar Islington Limited
Fairmuir Limited
Fairbriar plc
Fairbriar Pepys Street Limited
Fairbriar Projects Limited

Fairpoint Properties (Vincent Square) Limited
FKB Investment Management Limited
FKB Property Management Limited
FoRe Business Centres Limited
Forsyth Business Centres plc
Forsyth plc
Fraser Group Limited
Fraser Property Developments Limited
Fraser Residential Developments Limited
Fraser Residences Limited
George Street (No. 2) plc
GMI Homes Limited
GSF Homes Limited
Horizon Property Company (Scarborough) Limited
Horizon (Edinburgh) Limited
H & W 500 Limited
Islington Theatre Developments Limited
ISIS Management Company Limited
Kamcorp Limited
Knightsquare Limited
K P General Partner Limited
Lochfair Limited
Longborough (Chandos Place) Limited
Lumiere Leeds General Partner Limited
Macleod & Fairbriar Limited
Mailbox (Leeds) Limited
Maxime (Street) Limited
Minigulf Limited
Nell Gwynn House Apartments Limited
New Tollcross Limited
NGH Properties Limited
Property Fund Management Limited
Redbriar Developments Limited
Rokscar Limited
Rokscar Nominees No.1 Limited
Rokscar Nominees No.2 Limited
Rosyth Europarc Limited
Rosyth Regeneration Limited
Ryan Civil Engineering Limited
Ryan Holdings Limited
Scamp Holdings Limited
Scarborough & Leeds Property Company Limited
Scarborough & London Property Company Limited
Scarborough Continental Partners Europe Limited
Scarborough Continental Partners Limited
Scarborough Continental Partners UK Limited
Scarborough Development Company (Glasgow) Limited
Scarborough Development Group plc
Scarborough Europe Limited
Scarborough Holdings plc
Scarborough Property Company (Northern) Limited
Scarborough Property Company plc
Scarborough Property Developments plc
Scarborough Property Group plc
Scarborough Property Holdings plc

Scarborough Property Investment Company Limited
Scarborough Shepherd (GP) Limited
Scarborough Shepherd (Nominees) Limited
Scargold (Holdings) Limited
Scarmac Limited
Scarscot Holdings Limited
Scosim Limited
SDG Caledonia Limited
SDG Caledonia Holdings Limited
SDG Property Holdings Limited
SDG Scotia Limited
SDG Tulloch Homes Limited
SDG Wales Limited
Sceuro Capital Partners Europe Limited
Sceuro Capital Partners Limited
Sceuro Capital Partners UK Limited
Shepborough Development Company Limited
Sheffield United (Developments) Limited
Sheffield United plc
Shepborough Developments (Agecroft) Limited
Shepborough Kensington Limited
Shepborough Projects Limited
SPC Group plc
SPG Management Limited
Shepborough Developments (Doncaster) Limited
Shepborough Developments (Liverpool) Limited
Sterling Scarborough Limited
Sterling Scarborough (Teesdale) Limited
Teesfield Group Limited
Teesfield (Northern) Limited
Teesfield (Southern) Limited
Teesland Asia Limited
Teesland Holdings plc
Teesland Development Management Limited
Teesland Management Services Limited
Teesland plc
Teesland Property Company (Northern) Limited
The New Mill Development Company Limited
The Sheffield United Football Club Limited
United Scarborough Properties Limited
Wandsworth Riverside Quarter Limited
West Central Leeds (Nominee 1) Limited
West Central Leeds (Nominee 2) Limited
West Central Leeds (Nominee 3) Limited

Former directorships held in last five years

Basildon Developments Limited
Bilbrough Top Management Company Limited
Bishopcross Investments Limited
Block 5 Barrow Limited
Borofield Assets Limited
Borofield Developments Limited
Borofield Developments (Scotland) Limited
Borofield Group Limited
Borofield Securities Limited

Broxburn Freight Management Services Limited
Burdett Court Management Company Limited
Carden Enterprises Limited
Carden Enterprises 2004 Limited
Castle Properties (Scarborough) Limited
Castle Terrace Limited
Charterhouse Management Limited
Chester Meadow Holdings Limited
City & Northern Assets Limited
Citygate Court Investments Limited
Citygate Court Property Company Limited
City Heights Management Company (Birmingham) Limited
Clearwater Park Limited
Coleridge (No.1) Limited
Coleridge (No.2) Limited
Coleridge (No.3) Limited
Coleridge (No.4) Limited
Coleridge (No.5) Limited
Coleridge (No.6) Limited
Coleridge (No.7) Limited
Coleridge (No.8) Limited
Coleridge (No.9) Limited
Coleridge (No.10) Limited
Coleridge (No.11) Limited
Coleridge (No.12) Limited
Coleridge (No.13) Limited
Coleridge (No.14) Limited
Coleridge (No.15) Limited
Coleridge (No.16) Limited
Coleridge (No.17) Limited
Coleridge (No.18) Limited
Coleridge (No.19) Limited
Coleridge (No.20) Limited
Coleridge (No.21) Limited
Coleridge (No.22) Limited
Coleridge (No.23) Limited
Coleridge (No.24) Limited
Coleridge (No.25) Limited
Coleridge (No.26) Limited
Coleridge (No.27) Limited
Coleridge (No.28) Limited
Coleridge (No.30) Limited
Coleridge (No.31) Limited
Coleridge (No.32) Limited
Coleridge (No.33) Limited
Coleridge (No.34) Limited
Coleridge (No.35) Limited
Coleridge (Above Bar Street 1) Limited
Coleridge (Above Bar Street 2) Limited
Coleridge (Alfreton 1) Limited
Coleridge (Alfreton 2) Limited
Coleridge (Arundel Court 1) Limited
Coleridge (Arundel Court 2) Limited
Coleridge (Bedford Park) Limited
Coleridge (Bedford Park No. 2) Limited

Coleridge (Blackwood 1) Limited
Coleridge (Blackwood 2) Limited
Coleridge (Bootle) Limited
Coleridge (Callendar) Limited
Glanmore (Avebury Boul'd No.1)
Glanmore (Avebury Boul'd No.2)
Coleridge (Cannock) Limited
Coleridge (Cathedral Road 1) Limited
Coleridge (Cathedral Road 2) Limited
Coleridge (Cedar House) Limited
Coleridge (Cedar House No.2) Limited
Coleridge (Century House 1) Limited
Coleridge (Century House 2) Limited
Coleridge (Chancery Lane) Limited
Coleridge (Chertsey Road) Limited
Coleridge (Chertsey Road No.2) Limited
Coleridge (Clifton Park 1) Limited
Coleridge (Clifton Park 2) Limited
Coleridge (Corner Hall) Limited
Coleridge (Craven Court) Limited
Coleridge (Cumberland Road 1) Limited
Coleridge (Cumberland Road 2) Limited
Coleridge (East Grinstead 1) Limited
Coleridge (East Grinstead 2) Limited
Coleridge (Eltham 1) Limited
Coleridge (Eltham 2) Limited
Coleridge (Endeavour House) Limited
Coleridge (Fleet GP) Limited
Coleridge (Fleet LP) Limited
Coleridge (Gerrards Cross) Limited
Coleridge (Glenelvan) Limited
Coleridge (Greyfriars) Limited
Coleridge (Guisseley) Limited
Coleridge (Gypsy Corner) Limited
Coleridge (Horley) Limited
Coleridge (Llanelli 1) Limited
Coleridge (Llanelli 2) Limited
Coleridge (London Street, Reading 1) Limited
Coleridge (London Street, Reading 2) Limited
Coleridge (Marsham House) Limited
Coleridge (Meriden 1) Limited
Coleridge (Meriden 2) Limited
Coleridge (Merthyr Tydfil 1) Limited
Coleridge (Merthyr Tydfil 2) Limited
Coleridge (New Barnet) Limited
Coleridge (New Malden 1) Limited
Coleridge (New Malden 2) Limited
Coleridge (Octagon) Limited
Coleridge (Orchard Court) Limited
Coleridge (Orrell Lane) Limited
Coleridge (Pentland House) Limited
Coleridge (Peterborough) Limited
Coleridge (Shell House) Limited
Coleridge (Shell House No. 2) Limited
Coleridge (Shrewsbury Avenue)(No.1) Limited

Coleridge (Shrewsbury Avenue)(No.2) Limited
Coleridge (Shrewsbury Avenue)(No.3) Limited
Coleridge (Shrewsbury Avenue)(No.4) Limited
Coleridge (Skipton) Limited
Coleridge (Station Road) Limited
Coleridge (Sterling Court) Limited
Coleridge (Sterling Court No. 2) Limited
Coleridge (Tangley Park 1) Limited
Coleridge (Tangley Park 2) Limited
Coleridge (Tintern House 1) Limited
Coleridge (Tintern House 2) Limited
Coleridge (Tottenham Court Road 1) Limited
Coleridge (Tottenham Court Road 2) Limited
Coleridge (Treliske) Limited
Coleridge (Tudor Street) Limited
Coleridge (Watling) Limited
Coleridge (Weddington) Limited
Coleridge (Wednesbury 1) Limited
Coleridge (Wednesbury 2) Limited
Coleridge (Woking 8) Limited
Coleridge (Woking Forsyth) Limited
Cooch 1020 Limited
Dumfries Property Development Company Limited
Dunedin House Limited
Dunedin House (2001) Limited
East Leeds Developments (Royds Green) Limited
East Leeds Developments (Whinmoor) Limited
Europa Homes (Midlands) Limited
Euston Estate (LP) 1 Limited
Elitho Limited
Euston Development (GP) Limited
Euston Development (LP) 1 Limited
Euston Estate (GP) Limited
Euston Estate (No. 1) Limited
Exportbranch Limited
Firmrepair Limited
Fountains Walk Limited
Fountains Walk Trustee Limited
Gardenscore Limited
George Street (No. 1) Limited
Haymarket House (Belfast) Limited
Horizon (Glasgow) Limited
Houseball Limited
Inverness Property Holdings Limited
Inforeal Limited
Innova Science Park (Enfield) Limited
Inshore Leisure Limited
Jewelforth Limited
Joinsource Limited
Leisure Property Holdings Limited
Llantrisant Property Limited
Loch 1 Limited
Loch 2 Limited
Loch 3 Limited
Loch 4 Limited

Loch 5 Limited
Loch 6 Limited
Loch (Warrington LP) Limited
Loch (Warrington GP) Limited
Marcel Investments Limited
Melville Street Properties Limited
Pavilions (Croydon) Limited
Pelham Limited
Redhouse Holdings Limited
Redhouse Projects Limited
REL (Arrol House) Limited
REL (Caledonia House) Limited
REL (Dundas House) Limited
REL (Forsyth House) Limited
Remote Properties 1175 Limited
Remote Properties 1250 Limited
Remote Properties 1250 (A) Limited
Remote Properties 1250 (B) Limited
Remote Properties 2100 (A) Limited
Remote Properties 2100 (B) Limited
Remote Properties 2100 Limited
Remote Properties 2200 Limited
Remote Properties 2200 (A) Limited
Remote Properties 2200 (B) Limited
Remote Properties (College Green) Limited
Scarborough & Edinburgh Property Company Limited
Scarborough & Glasgow Property Company Limited
Scarborough Development & Investment Company Limited
Scarborough Development Company (Aberdeen) Limited
Scarborough Development Company (Ascot) Limited
Scarborough Development Company (Barrow) Limited
Scarborough Development Company (Basildon) Limited
Scarborough Development Company (Cardiff) Limited
Scarborough Development Company (Corstorphine) Limited
Scarborough Development Company (Croydon) Limited
Scarborough Development Company (Essex) Limited
Scarborough Development Company (Harrogate) Limited
Scarborough Development Company (Horizon) Limited
Scarborough Development Company (Leeds) Limited
Scarborough Development Company Limited
Scarborough Development Company (Northern) Limited
Scarborough Development Company (Perth) Limited
Scarborough Development Company (West) Limited
Scarborough Development Company (York) Limited
Scarborough Developments (China) Limited
Scarborough Developments Limited
Scarborough Developments (Llantrisant) Limited
Scarborough Investment Company (Blackpool) Limited
Scarborough Investment Company (Bradford) Limited
Scarborough Investment Company (Glasgow) Limited
Scarborough Property Company (Kent) Limited
Scarborough Investment Company Limited
Scarborough Investment Company (Peat House) Limited
Scarborough Muir Group Limited
Scarborough Property Assets Limited

Scarborough Property Company (Belfast) Limited
Scarborough Property Company (Edinburgh) Limited
Scarborough Property Company (Fife) Limited
Scarborough Property Company (Halifax) Limited
Scarborough Property Company (Newbridge) Limited
Scarborough Property Company (Scotland) Limited
Scarborough Property Company (West) Limited
Scargold Asset Management Limited
Scarloch (Dundee) Limited
Scarloch Properties Limited
SDG (Bolton) Limited
SDG (Bournemouth) Limited
SDG Caledonia (2) Limited
SDG (Cardiff F+G 1) Limited
SDG (Cardiff F+G 2) Limited
SDG (Cardiff H+J 1) Limited
SDG (Cardiff H+J 2) Limited
SDG (Croydon) Limited
SDG (Edinburgh) Limited
SDG (Enfield) Limited
SDG Ireland Limited
SDG (New Malden) Limited
SDG (New Malden 1) Limited
SDG (Newport 1) Limited
SDG (Newport 2) Limited
SDG (Properties) Limited
SDG Residential Limited
SDG (Scunthorpe) Limited
SDG (Shrewsbury) Limited
SDG (South Shields) Limited
Seaside Holdings Limited
Sefton Property Company Limited
Sesha Investments Limited
Sheffield United Academy Limited
Sheffield United (Enterprises) Limited
Sheffield United Football Club Limited (The)
Snow Hill (Birmingham) Limited
SPC (Charlotte House) Limited
SPC (Charlotte House 1) Limited
SPC (Charlotte House 2) Limited
SPC (Cornhill) Limited
SPC Developments Limited
SPC (Glasgow) Limited
SPC Investments Limited
SPC (New Malden) Limited
SPC (New Malden 1) Limited
SPC (Portsmouth) Limited
SPC (Watford) Limited
SPC (Watford 1) Limited
SPC (Watford Exchange) Limited
SPG Development Company (UK) Limited
Sport Heathrow Limited
St Vincent Street Developments Limited
Stadia Developments Limited
Sterling Teesland Limited

Sterling Teesland (Teesdale) Limited
Sydenham Investments Limited
Sydney & Farnborough Properties Limited
Teeland Development Management Limited
Teesland (Bournemouth) Limited
Teesland Secretarial Services Limited
Teemartin Brentford (1) Limited
Teemartin Brentford (2) Limited
Teemartin Brentford (3) Limited
Teemartin Brentford (4) Limited
Teemartin (Fleet No 2) Limited
Teemartin (Fleet No 3) Limited
Teemartin High Wycombe Limited
Teemartin Inshes Limited
Teemartin Perth Limited
Teemartin Limited
Teesside Park Limited
Thornfield Property Assets Limited
Tulloch Limited
Tulloch Homes Group Limited
Tulloch Homes (Tollcross) Limited
Tulloch Investments Limited
Tulloch Properties (Cumbernauld) Limited
Tulloch Properties Limited
Tulloch Resources Limited
Tulloch plc (previously Tulloch Management Services Limited)
Ulster & London Land Limited
Universal & Scotland Estates Limited

Jason Rockett

Current directorships

Blades Catering Limited
Blades Financial Services Limited
Bobby Charlton International Limited
Conrad Limited
Cranbourne Limited
David Conrad Sales Limited
Premier Sports Services Limited
Scarborough Development Group plc
Sheffield United plc
Sheffield United Academy Limited
Sheffield United (Developments) Limited
Sheffield United (Enterprises) Limited
Sheffield United Football Club Limited (The)
The Nithsdale (Kirkintilloch) Property Company Limited
United Scarborough Estates Group Limited

Mark Thomas Fenoughty

Current directorships

Blades Catering Limited
Blades Financial Services Limited
Bobby Charlton International Limited
Conrad Limited
Cranbourne Limited
David Conrad (Sales) Limited
Premier Sports Services Limited
Sheffield United plc
Sheffield United Academy Limited
Sheffield United (Enterprises) Limited
Sheffield United Football Club Limited (The)
The Nithsdale (Kirkintilloch) Property Co. Ltd
United Scarborough Estates Group Limited
United Scarborough Estates Limited
United Scarborough Estates (Virginia Water) Limited
USE (Rushden) Limited

Former directorships held in the last five years

Filbert Realisations No 2 Limited
Filbert Realisations No 1 plc
Leicester City plc

Michael Douglas Dudley

Current directorships

Decalite Limited
Direct Wholesale (UK) Ltd
DW Retail Group Limited
Initiatec Limited
Mooncell Global Marketing Limited
M.H.G. (Supplies) Limited
Mooncell UK Limited
Phoenix Fireplace Finesse Limited
Sheffield United plc
Veri-Cheg Limited

Former directorships held in the last five years

A. Fox Systems Limited
Decalite.Com Limited
It's Possible Limited
Fireplace Direct Limited
House of Greetings Limited
M.H.G (Systems) Limited
Mooncell Global Technologies Limited
Mooncell Technologies Limited
More Nightingale (UK) Limited
Moss House Group (Systems) Limited
R.U.T (Business Equipment) Limited
Torex Retail (Supplies) Limited

Andrew James Laver*Current directorships*

Alco (Builders Merchants) Limited
Arnold Laver & Company Limited
Arnold Laver (Bradford) Limited
Arnold Laver (D.I.Y) Limited
Arnold Laver (Leeds) Limited
Arnold Laver (Midlands) Limited
Arnold Laver (Sites) Limited
Becroft & Wightman (Bradford) Limited
Birmingham Board Co (Southern) Limited
Birmingham Board Co Ltd
Birmingham Board Holdings Ltd
Flamboards Limited
H. Marshall (Wood Shavings) Limited
Heeley Bridge Garage Limited
Indalo Limited
Industrial Emergency Planning Limited
Kidderminster Timber Limited
Richard Wragg Limited
Sheffield United plc
Sheffield United (Developments) Limited
Sheffield United (Enterprises) Limited
Stourport Timber and Boards Limited
Woodley Timber Co Limited

Former directorships held in the last five years

Geolearning Limited
Nawsmac (a company limited by guarantee)
Northsea Software Systems Limited
Unico Geo Systems Limited

John Lewis Burnley*Current directorships*

Borofield Properties Limited
Boroton Properties Limited
BWF International Limited
Cavalry Centre Limited
Chester Meadow Holdings Limited
Chester Meadow Limited
Chester Meadow Properties Limited
Craftglen Limited
East Leeds Developments (Royds Green) Limited
East Leeds Developments (Whinmoor) Limited
Esplanade Consultants Limited
Forsyth Business Centres plc
Forsyth plc
Gladedale Homes Limited
Gladedale Homes (Scarborough) Limited
Horizon Property Company (Scarborough) Limited
Kamcorp Limited
Longborough (Chandos Place) Limited
Minigulf Limited
Quantum Property Company Limited
Quoin Property Company Limited

Rosyth Europarc Limited
Scarborough & London Property Company Limited
Scarborough Development Company (Glasgow) Limited
Scarborough Muir Group Limited
Scarborough Property Company plc
Scarborough Property Company (Kent) Limited
Scarborough Property Company (Northern) Limited
Scarborough Property Group plc
Scarborough Property Holdings plc
Scarborough Property Investment Company Limited
Scarscot Holdings Limited
SDG Caledonia Limited
SDG Caledonia (2) Limited
SDG Caledonia Holdings Limited
SDG Property Holdings Limited
Sheffield United plc
SPC Group plc
SPG Management Limited
Teesland Management Services Limited
Teesloch Limited
Teesmuir Limited
The New Mill Development Company Limited
Thorpe Park Developments Limited
TP 2005 Limited
Tulloch Homes (Tollcross) Limited

Former directorships held in the last five years

Basildon Developments Limited
Block 5 Barrow Limited
Borofield Assets Limited
Borofield Developments Limited
Borofield Group Limited
Broxburn Freight Management Services Limited
Castle Properties (Scarborough) Limited
Castle Terrace Limited
Citygate Court Investments Limited
Citygate Court Property Company Limited
City Heights Management Company (Birmingham) Limited
Clearwater Park Limited
Dumfries Property Development Company Limited
Dunedin House (2001) Limited
Dunedin House Limited
Elitho Limited
Europa Homes (Midlands) Limited
Fountains Walk Limited
Fountains Walk Trustee Limited
George Street (No. 1) Limited
Horizon (Glasgow) Limited
Innova Science Park (Enfield) Limited
Joinsource Limited
Pavilions (Croydon) Limited
Redhouse Holdings Limited
Redhouse Projects Limited
Rokscar (Bournemouth) Limited
Scarborough Development Group plc

Scarborough Development & Investment Company Limited
Scarborough Development Company (Aberdeen) Limited
Scarborough Development Company (Ascot) Limited
Scarborough Development Company (Barrow) Limited
Scarborough Development Company (Basildon) Limited
Scarborough Development Company (Cardiff) Limited
Scarborough Development Company (Corstorphine) Limited
Scarborough Development Company (Croydon) Limited
Scarborough Development Company (Essex) Limited
Scarborough Development Company (Harrogate) Limited
Scarborough Development Company (Horizon) Limited
Scarborough Development Company (Leeds) Limited
Scarborough Development Company Limited
Scarborough Development Company (Northern) Limited
Scarborough Development Company (Perth) Limited
Scarborough Development Company (West) Limited
Scarborough Development Company (York) Limited
Scarborough Developments (China) Limited
Scarborough Developments Limited
Scarborough Investment Company (Bradford) Limited
Scarborough Investment Company (Glasgow) Limited
Scarborough Investment Company Limited
Scarborough & Edinburgh Property Company Limited
Scarborough & Glasgow Property Company Limited
Scarborough Property Assets Limited
Scarborough Property Company (Belfast) Limited
Scarborough Property Company (Edinburgh) Limited
Scarborough Property Company (Fife) Limited
Scarborough Property Company (Halifax) Limited
Scarborough Property Company (Newbridge) Limited
Scarborough Property Company (Scotland) Limited
Scarborough Property Company (West) Limited
SDG (Enfield) Limited
SDG (Frenchgate) Limited
SDG (Wandsworth) Limited
Seaside Holdings Limited
Snow Hill (Birmingham) Limited
SPC (Charlotte House) Limited
SPC (Charlotte House 1) Limited
SPC (Charlotte House 2) Limited
SPC (Glasgow) Limited
SPC Investments Limited
SPC (New Malden) Limited
SPC (New Malden 1) Limited
SPC (Watford) Limited
SPC (Watford 1) Limited
SPG Development Company (UK) Limited
St Vincent Street Developments Limited
Stadia Developments Limited
Sterling Teesland Limited
Sydenham Investments Limited
Teesland Development Company Limited
Teesland Holdings plc
Teemartin Properties Limited
Ulster & London Land Limited

Terence James Robinson

Current directorship

Anglebase Limited
Blades Financial Services Limited
Conrad Limited
Dalesgable Limited
David Conrad (Sales) Limited
Football Learning Education Limited
The Football League Limited
The Nithsdale (Kirkintilloch) Property Company Limited
United Scarborough Estates Group Limited

- (h) The interests of K C McCabe and J L Burnley in shares in Scarborough, Scarborough Group Holdings, SDG Caledonia and/or Craftglen as at 7 February 2006 (being the latest practicable date prior to the publication of this document) are referred to in paragraph 6 of Part I of this document.

- (i) *Receiverships, liquidations and administrations*

M D Dudley was a director of Mooncell Technologies Limited within the twelve months preceding the winding-up of that company on 20 December 2002. The statement of affairs sworn by the directors of that company on that date estimated a total shortfall to creditors of £1,279,175. On 19 December 2005 the liquidators statement of receipts was £63,281.61 and payments was £42,404.75.

M T Fenoughty was a director of Leicester City plc within the twelve months of an administration order being made against that company on 22 October 2002. On 19 March 2003 the administration order was discharged and the Official Receiver was appointed liquidator of Leicester City plc to wind-up that company. The administrators' abstract of receipts and payments were each zero.

M T Fenoughty was a director of Filbert Realisations No 2 Limited within the twelve months of an administration order being made against that company on 22 October 2002. On 19 March 2003 the administration order was discharged and the Official Receiver was appointed liquidator of Filbert Realisations No 2 Limited to wind-up that company. The administrators' abstract of receipts and payments were each in the sum of £11,752,397.26.

M T Fenoughty was also a director of Filbert Realisations No 1 plc within the twelve months of an administration order being made against that company on 22 October 2002. On 15 January 2003 its creditors and its member approved a company voluntary arrangement of that company. On 26 April 2004 the administration order was discharged and the administrators' appointed as the liquidators to wind up that company. The administrators' abstract of receipts and payments were each in the sum of £17,901,558.01. On 14 January 2005 the administrators' further abstract of receipts was £2,149,813.60 and payments was £1,350,180.34.

Other than as described above, none of the Directors or any of the Senior Managers have, in the five years immediately preceding the date of this document:

- (i) received any convictions in relation to fraudulent offences;
- (ii) been declared bankrupt or been the subject of an individual voluntary arrangement or been associated with any bankruptcy, receivership or liquidation in his capacity as a director or senior manager of another company;
- (iii) been a partner or senior manager in a partnership which has been subject to a compulsory liquidation, administration or a partnership voluntary arrangement; or
- (iv) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or entity or from acting in the management or conduct of the affairs of any company or entity.

Other than as described above, none of the directors:

- (i) has unspent convictions for any indictable offences or has been declared bankrupt or has made any individual voluntary arrangement with his creditors;
- (ii) has been a partner in a partnership at the time of or within the 12 months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership;
- (iii) has been a director of a company which, while he was a director or within 12 months of his ceasing to be a director, had a receiver appointed, entered into any compulsory liquidation, entered into any creditors voluntary liquidation, entered into administration, entered into any voluntary arrangement or made any composition or arrangement with its creditors generally or with any class of its creditors;
- (iv) has had any asset which has been subject to a receivership or has been a partner in a partnership at the time or within the 12 months preceding an asset of the partnership being subject to a receivership; or
- (v) has been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or has been disqualified by a court from acting as a director or, in the management or conduct of the affairs of any company.

7. Directors' Remuneration and Benefits

Mark Fenoughty is employed by the Company under a service agreement with a commencement date of 13 January 2003. Pursuant to that agreement, he is currently entitled to an annual salary of £84,872 which is reviewed annually by the Company's remuneration committee. The Company contributes a sum equivalent to 10 per cent. of his salary into his personal pension plan and he is also entitled to a company car allowance of £600 per month, payable as part of his salary. Mr Fenoughty is entitled to a bonus in the sum of £55,000 for the financial year ended 30 June 2005. The agreement may be terminated by either Mr Fenoughty or the Company on six months' notice.

Jason Rockett is employed by the Company under a service agreement with a commencement date of 1 November 2005. Pursuant to that agreement, he is currently entitled to an annual salary of £110,000 which is reviewed annually by the Company's remuneration committee. The Company contributes a sum equivalent to 10 per cent. of his salary into his personal pension plan and he is also entitled to a company car allowance of £750 per month, payable as part of his salary. Mr Rockett was also entitled to a discretionary relocation allowance which may be repayable in whole or in part by him and he is entitled to participate in the Company's annual bonus scheme. The agreement may be terminated by the Company on six months' notice and on three months' notice by Mr Rockett.

The pension contributions in respect of the executive Directors represent contributions made by the Company into a defined contribution pension arrangement.

No non-executive Directors have entered into contracts of service with the Company or any of its subsidiaries. The remuneration of non-executive Directors is determined by the Board within the limits set out in the Articles and no fees were paid to any non-executive Directors in relation to the financial year ended 30 June 2005. Non-executive Directors cannot participate in any of the Company's share option schemes and are not eligible to join the Company's pension scheme.

There have been no changes to the emoluments or other terms of employment of the Directors within the six months prior to the date hereof.

The service agreement between J Rockett and the Company referred to above was entered into within six months of the date of this document but did not replace a previous service agreement between the parties.

8. Share Option Arrangements

Whilst there are no outstanding options granted under it, the Company has a scheme entitled the 1997 Executive Share Option Scheme, the principal features of which are as follows:

The 1997 Scheme has an Inland Revenue approved part (the “Approved Part”) approved by the Inland Revenue on 17 January 1997 and an unapproved part (the “Unapproved Part”).

The principal features of the Approved Part are as follows:

(i) *1997 Scheme limits*

The 1997 Scheme imposes limits on the number of Ordinary Shares over which options may be granted as follows:

- (A) The total number of Ordinary Shares over which options to subscribe may be granted under all option schemes of the Company when aggregated with Ordinary Shares issued or issuable under all other employee share schemes of the Company shall not, in any consecutive five year period, exceed 5 per cent. of the Ordinary Shares in issue from time to time, nor shall it exceed 3 per cent. in any consecutive three year period (excluding, in the latter case, options granted under a scheme which is made available to a majority of the Group’s employees).
- (B) The total number of Ordinary Shares over which options to subscribe may be granted under all option schemes of the Company when aggregated with Ordinary Shares issued or issuable under all other employee share schemes of the Company shall not, in any consecutive ten year period, exceed 10 per cent. of the Ordinary Shares in issue from time to time, nor shall it exceed in any five year period, 5 per cent. of such shares.

In each case, lapsed and surrendered options are to be disregarded.

(ii) *Eligibility*

Any director required to work at least 25 hours per week and any employee of the Group (regardless of the number of hours served) is eligible to participate (a “Participant”). Actual participation is at the discretion of the Board. Options are personal to the Participant and may not be assigned. No options may be granted to an individual who is within two years of his normal retirement date.

(iii) *Individual participation limit*

The aggregate subscription price of all outstanding options granted to any one Participant under the 1997 Scheme and under any other approved share option scheme adopted or operated by the Company (but excluding options granted under a savings related share option scheme) may not exceed £30,000.

(iv) *Exercise of options*

Options may normally be exercised only from three years after the date of grant (or from such later date as the Board determines) to ten years after the date of grant. Exceptionally, options may be exercised earlier where employment ceases due to death, ill-health, injury, disability, physical or mental incapacity, redundancy, the Participant’s retirement at normal retirement age, or on the Participant’s employing company or business ceasing to be within the Group or, at the discretion of the Board, on the Participant in question leaving employment for any other reason.

In each of these situations, the option must be exercised, if at all, by the expiry of the later of six months following the cessation of employment, (twelve months in the case of death) or, if the Board determines, 42 months from the date of grant of the option failing which they will lapse.

Exercise of options may be made subject to the satisfaction of performance criteria.

The exercise price per Ordinary Share will be not less than the higher of the nominal value of an Ordinary Share at the time of grant of the option and the market value at the time of grant. If the Ordinary Shares are listed on the Official List of the UKLA (the “Official List”), the market value will

be the middle market quotation of an Ordinary Share for the relevant dealing day. In any other circumstances, market value will be as agreed with the Inland Revenue Shares Valuation Division.

(v) *Exchange of options*

In the event of the takeover, amalgamation or reconstruction of the Company, options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

(vi) *Alterations to the 1997 Scheme*

The Board may alter the 1997 Scheme but no alteration to the Approved Part can have effect without Inland Revenue approval. Certain alterations cannot take effect without shareholder approval (unless they are minor amendments to benefit the administration of the Scheme or take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company or option holders or potential Participants), being the limits on the number of Ordinary Shares which can be offered under the 1997 Scheme, the category of persons who may participate and the provisions applicable on a variation of share capital. Amendments which would adversely affecting subsisting rights require the consent of Participants holding rights to at least 75 per cent. of all Ordinary Shares subject to outstanding options granted under the 1997 Scheme.

The Unapproved Part has the same features as the Approved Part save that:

(i) *Participation limit*

The £30,000 individual participation limit does not apply. Instead the aggregate market value of all shares outstanding subject to the proposed option and to any other options granted under the 1997 Scheme and under any other option scheme adopted or operated by the Company (but excluding options granted under a scheme made available to all employees) may not exceed four times the relevant individual's remuneration at that time. For the purpose, where the Company's Ordinary Shares are not listed on the Official List, the market value will be as determined by the Board.

(ii) *Takeovers, reconstructions or amalgamations*

The provisions which apply on a takeover, reconstruction or amalgamation in for options to be exchanged for options over shares in the acquiring Company do not apply.

9. Information regarding the Directors and Senior Managers

(i) **Kevin Charles McCabe**, aged 57 (*Executive Chairman*)

Kevin McCabe began his career in 1964 in the construction industry with a company that became part of the Bovis Group. He is a director and major shareholder in Scarborough Group, a holding company of Scarborough and Scarborough Group Holdings as well as other companies. He is also executive chairman of Teesland plc, a listed property management and fund management company; non-executive chairman of FairBriar PLC, a residential development company, and an executive director of certain subsidiary companies of Bank of Scotland.

(ii) **John Lewis Burnley**, aged 61 (*Non-Executive Director*)

John Lewis Burnley is senior partner of Burnley Wilson Fish, the Leeds based Chartered Quantity Surveyors. He is also a non-executive director of a number of other companies including Scarborough Group, Scarborough and SPC Group. Craftglen is a company wholly owned by John Burnley and of which he is the sole director.

(iii) **Jason Rockett**, aged 36 (*Chief Executive Officer*)

Jason Rockett was initially in professional football prior to him working as a surveyor on commercial property transactions in various regions of the United Kingdom. Jason Rockett was appointed to the

role of Chief Executive on 1 November 2005 and is responsible for all aspects of the Group's business and particularly for the development of "off-site" property interests of the Company.

(iv) **Mark Fenoughty**, aged 36 (*Chief Operating Officer*)

Mark Fenoughty was recently promoted from Finance Director. Mark Fenoughty has been responsible for the majority of the Club's business operations since his appointment on 16 July 2003. Mark Fenoughty is a former director of Leicester City plc and has over 7 years working experience within the football industry.

(v) **Andrew James Laver**, aged 39 (*Non-Executive Director*)

An Associate of the Institute of Chartered Accountants in England and Wales, he is Managing Director of Arnold Laver & Co. Limited.

(vi) **Michael Douglas Dudley**, aged 58 (*Non-Executive Director*)

Michael Dudley is a Sheffield based businessman and director of a number of companies.

Senior management

(i) **Neil Warnock**

Neil Warnock has been team manager with the Club since December 1999. His managerial career commenced in 1986 with Scarborough F.C., achieving promotion to the Football League. Other clubs Neil Warnock has managed include Notts County, Huddersfield Town, Plymouth Argyle, Oldham Athletic and Bury F.C. Neil Warnock achieved promotions at Notts County, Huddersfield and Plymouth Argyle.

(ii) **Stuart McCall**

Stuart McCall is the Club's Assistant Manager. His playing career included appearances in two World Cup finals with Scotland, two European Championship Finals and six Scottish Premier League title wins with Glasgow Rangers. His previous clubs include Leeds United, Bradford City, Everton and Glasgow Rangers.

(iii) **Terry Robinson**

Terry Robinson is the Club's Football Consultant and Vice Chairman, overseeing football related matters on behalf of the Directors. Terry Robinson was Chairman and Chief Executive at Bury F.C. for over twenty years and joined the Club in June 2002. Terry Robinson is a director of the Football League Limited and sits on a number of Football Association committees.

10. Compliance with Corporate Governance

(a) *Board Practices*

The Board has appointed a remuneration committee (the "**Remuneration Committee**"), an audit committee (the "**Audit Committee**") and a nomination committee (the "**Nomination Committee**").

Two independent non-executive directors and the Executive Chairman sit on the committees. Executive directors and other executives attend certain committee meetings as required, but are not committee members.

(b) *Audit Committee*

The Audit Committee is chaired by Andrew Laver and met twice during the financial year to 30 June 2005. The other members of the Audit Committee are Kevin McCabe and Michael Dudley. The Audit Committee reviews the Group's accounting policies, internal controls and financial reporting. It also monitors the scope, quality and independence of the external and internal audit functions. The external auditors, the Chief Operating Officer and other members of the accounting team are routinely invited to attend.

Business is also conducted without executive directors being present, when appropriate. The external audit partner responsible for the Group's audit matters was rotated during the year in accordance with current guidance.

(c) *Remuneration Committee*

The Remuneration Committee is chaired by Andrew Laver and met on two occasions during the financial year to 30 June 2005. The other members of the Remuneration Committee are Kevin McCabe and Michael Dudley.

The Remuneration Committee determines the terms of engagement and remuneration of the Company's executive director's and certain senior executives on behalf of the Board. The Remuneration Committee also monitors the Company's share option scheme and implementation of executive and employee incentive schemes.

(d) *Nomination Committee*

The Nomination Committee is chaired by Andrew Laver and met once during the financial year ended 30 June 2005. Kevin McCabe and Michael Dudley are the other members. This committee is responsible for considering and recommending new appointments to the Board and senior positions in the Company for succession purposes.

(e) *Corporate Governance*

As the Ordinary Shares are traded on AIM, the Company is not obliged to comply with UK corporate governance rules and regulations contained in The Combined Code on Corporate Governance (dated July 2003 and published by the Financial Reporting Council). Nonetheless, the Board does have regard to the provisions of the Combined Code and seeks to comply with so far as the Board considers practicable (taking into account the size, structure and resources of the Company).

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 of this document 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 objectives.

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

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

11. The Concert Party

- (a) The interests of the members of the Concert Party in Relevant Securities (as defined in paragraph 12 below) are set out in paragraph 6(c) above. In addition, as at 7 February 2006 (the latest practicable date prior to the publication of this document) the following persons who are close relatives of KC McCabe, one of the members of the Concert Party, have interests in Relevant Securities (as so defined) as follows:

Scott McCabe holds 86,928 Ordinary Shares following the transfer of the legal title to 77,560 Ordinary Shares into his name on 22 June 2005 from the trustees of the K C McCabe 1978 Settlement for a consideration of £nil; and

Simon McCabe holds 86,928 Ordinary Shares following the transfer of the legal title to 77,560 Ordinary Shares into his name on 22 June 2005 from the trustees of the KC McCabe 1978 Settlement for a consideration of £nil.

- (b) During the period beginning 12 months preceding the close of business on 7 February 2006 (being the latest practicable date prior to the publication date of this document) there have been no members of the Concert Party who have dealt in Relevant Securities (as defined in paragraph 12 below) except as follows:

| <i>Concert Party Member</i> | <i>Nature of Dealing</i> | <i>Date</i> |
|--------------------------------|--|-----------------|
| Scarborough Group Holdings plc | Acquisition of 3,878,040 Ordinary Shares from Scarborough Property Investment Company Limited for, an aggregate consideration of £407,194.20 | 18 October 2005 |
| Scarborough Group Holdings plc | Acquisition of 13,737,500 Ordinary Shares from SPG Management Limited for an aggregate consideration of £1,442,437.50 | 18 October 2005 |

- (c) As at close of business on 7 February 2006 (being the latest practicable date prior to the publication of this document), the interests of each of the members of the Concert Party in Ordinary Shares are and, immediately following the Underwriting, are expected to be as follows:

| | <i>On the basis of existing ordinary share capital</i> | | <i>On the basis of issued share capital immediately following the Underwriting¹</i> | |
|------------------------------------|--|----------|--|----------|
| | <i>No. of Existing Ordinary Shares</i> | <i>%</i> | <i>No. of Ordinary Shares</i> | <i>%</i> |
| Scarborough | 48,700,000 | 34.18 | 104,366,666 | 51.97 |
| Scarborough Group Holdings | 17,615,540 | 12.36 | 17,615,540 | 8.77 |
| K C McCabe ² | 1,013,820 | 0.71 | 1,013,820 | 0.50 |
| J L Burnley/Craftglen ³ | 1,500,525 | 1.05 | 2,833,858 | 1.41 |

Notes:

- (1) The interests following the Underwriting are based on the assumption that the Underwriters are required to subscribe for their Underwriting commitments in full. The interests following the Open Offer also assume that no Shareholders other than the Underwriters take up their entitlements under the Open Offer and that the possible transfers of Ordinary Shares referred to in paragraphs 11(d) and (e) of this Part VI have not taken place at such time.
 - (2) K C McCabe's interests are stated after excluding the shareholdings of Scarborough and Scarborough Group Holdings stated in the above table. Details of K C McCabe's aggregate interests are set out in paragraph 6(c) of this Part VI.
 - (3) J L Burnley's interests in Ordinary Shares are all held by Craftglen.
- (d) The Company has been informed on behalf of K C McCabe that the following holdings of Ordinary Shares may be transferred to Scarborough Group Holdings at some time on or following the date of publication of this document (and when permitted under the provisions of the AIM Rules):

| <i>Shareholder</i> | <i>No of Ordinary Shares</i> |
|--|------------------------------|
| Scarborough Property Company plc | 48,700,000 |
| The White House Discretionary Trust | 310,240 |
| SCOSIM Limited | 232,680 |
| Aon Pension Trustees Limited (on behalf of the Scarborough Executive Pension Scheme) | 310,240 |
| Sandra McCabe on behalf of the Trustees of the White House IIP Trust | 155,120 |
| K C McCabe | 5,540 |
| Scott Richard McCabe | 9,368 |
| Scott Richard McCabe | 77,560 |
| Simon Charles McCabe | 9,368 |
| Simon Charles McCabe | 77,560 |

- (e) The Company has been informed on behalf of K C McCabe that at some time on or following completion of the Acquisition (and when permitted under the provisions of the AIM Rules), it is proposed that Scarborough Property Company plc would transfer to the Vendor approximately 26,666,667 Ordinary Shares.
- (f) As at close of business on 7 February 2006 (being the latest practicable date prior to the publication of this document):
 - (i) Cesidio Martin Di Ciacca, a director of Scarborough and SDG Caledonia, is interested in 45,000 Ordinary Shares which were acquired by his pension trustees at a price of 22 pence per Ordinary Share on 5 January 2006; and
 - (ii) Didier Michael Tandy, a director of Scarborough and SDG Caledonia, is interested in 95,000 Ordinary Shares held by his pension trustees.

12. Interests and Dealings

Save as disclosed in paragraphs 6 and 11 of Part VI of this document:

- (a) no member of the Concert Party, or any person acting in concert with any member of the Concert Party, or any director of any member of the Concert Party which is a company, has any interest in, right to subscribe in respect of or short position in relation to any Relevant Securities;
- (b) no member of the Concert Party or any person acting in concert with any member of the Concert Party, or any director of any member of the Concert Party which is a company, has dealt in Relevant Securities during the period of 12 months ended on 7 February 2006 (being the latest practicable date prior to the publication of this document);
- (c) there are no Relevant Securities which any member of the Concert Party or any person acting in concert with any member of the Concert Party has borrowed or lent (excluding any borrowed Relevant Securities which have either been on lent or sold);
- (d) none of:
 - (i) the Directors or any of their close relatives or related trusts;
 - (ii) any associated company of the Company;
 - (iii) any pension fund or employee benefit trust of the Company or of any associated company of the Company;
 - (iv) any connected adviser to the Company, or any company which is an associated company of the Company, or to a person acting in concert with the Directors; or
 - (v) any person controlling, controlled by or under the same control as any connected adviser falling within (iv) above (except for an exempt principal trader or exempt fund manager);

has as at 7 February 2006 (being the latest practicable date prior to the publication of this document) any interest in, right to subscribe in respect of or short position in relation to any Relevant Securities;

- (e) there are no Relevant Securities which the Company or any person acting in concert with the Directors has borrowed or lent (excluding any borrowed Relevant Securities which have either been on lent or sold);
- (f) neither the Company nor any of the Directors has as at 7 February 2006 (being the latest practicable date prior to the publication of this document) has any interest in, right to subscribe in respect of or short position in relation to any equity share capital of Scarborough, Scarborough Group Holdings, SDG Caledonia or Craftglen (being those members of the Concert Party which are companies) or any securities of any such company carrying conversion or subscription rights into any such equity share capital; and

- (g) no member of the Concert Party, or any person acting in concert with any member of the Concert Party, has with any person any indemnity or option arrangement, or any agreement or understanding, formal or informal, of whatever nature, relating to Relevant Securities which may be an inducement to deal or refrain from dealing.

In this paragraph 12, reference to:

- (1) “Relevant Securities” means Ordinary Shares and securities carrying conversion or subscription rights into, options (including traded options) in respect of or derivatives referenced to, Ordinary Shares;
- (2) “derivatives” include any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying security;
- (3) “short position” means a short position, whether conditional or absolute and whether in the money or otherwise, and includes any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;
- (4) “associated company” means in relation to any company, that company’s parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies. For these purposes, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status;
- (5) “connected adviser” means:
 - (i) in relation to the Company, (a) an organisation which is advising the Company in relation to the Open Offer; and (b) a corporate broker to the Company;
 - (ii) in relation to a person who is acting in concert with any member of the Concert Party or with the Directors, an organisation (if any) which is advising that person either (a) in relation to the Open Offer; or (b) in relation to the matter which is the reason for that person being a member of the relevant concert party; and
 - (iii) in relation to a person who is an associated company of any member of the Concert Party which is a company or of the Company, an organisation (if any) which is advising that person in relation to the Open Offer;
- (6) “control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding, or holdings, gives *de facto* control; and
- (7) “dealing” or “dealt” includes the following:
 - (i) the acquisition or disposal of securities;
 - (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;
 - (iii) subscribing or agreeing to subscribe for securities;
 - (iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
 - (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;
 - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
 - (vii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position.

For the purposes of this paragraph 12, a person is treated as “interested” in securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as “interested” in securities if:

- (i) he owns them;
- (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
- (iii) by virtue of any agreement to purchase, option or derivative, he:
 - (a) has the right or option to acquire them or call for their delivery; or
 - (b) is under an obligation to take delivery of them,
 whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (iv) he is party to any derivative:
 - (a) whose value is determined by reference to their price; and
 - (b) which results, or may result, in his having a long position in them.

13. Significant shareholders

- (a) As at 7 February 2006 (being the latest practicable date prior to publication of this document), and in addition to the interests of certain Directors, as set out in paragraph 6(c) above, the Company is aware of the following persons who, directly or indirectly, were interested in 3 per cent., or more of the Company’s issued ordinary share capital:

| | <i>No. of Existing Ordinary Shares</i> | <i>% of Existing Ordinary Shares</i> |
|------------------|--|--|
| Michael McDonald | 5,942,468 | 4.17 |

- (b) None of the Company’s major holders of Ordinary Shares listed in paragraph (a) above have voting rights different from other holders of Ordinary Shares.
- (c) As far as the Company is aware, as at 7 February 2006 (being the last practicable date prior to the publication of this document) there are no arrangements the operation of which may at a later date result in a change of control of the Company save for the arrangements described in this document.
- (d) So far as the Company is aware, on the basis of the interests in Ordinary Shares set out in paragraph 11(c) above, the Company is controlled by the Concert Party. The Company is subject to certain provisions of the City Code, and of the AIM Rules, which place restrictions on the exercise of such control. The Company’s articles of association also contain provisions restricting (subject to certain exceptions) the participation of directors in considering and approval of matters in which they are otherwise interested as described in paragraph 4(g)(ix) of this Part VI.

14. Legal and arbitration proceedings

No member of the Group is, or has been during the 12 months preceding the date of this document, involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past a significant effect on the Group’s financial position or profitability, nor, so far as the Company is aware, are any such proceedings pending or threatened.

15. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business), which are, or may be, material, have been entered into by members of the Group within the two years immediately preceding the date of this document or contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

- (a) On 8 February 2006, the Underwriting Agreement was entered into between (1) the Underwriters (2) the Company and (3) KBC Peel Hunt. Pursuant to that agreement, KBC Peel Hunt agreed to act as the Company's nominated adviser in connection with its application for admission of the Offer Shares to trading on AIM and as the Company's agent in connection with the Open Offer and the Underwriters have agreed to subscribe at the Offer Price for any Offer Shares not taken up under the Open Offer up to a maximum Underwriting commitment of 58,333,332 Offer Shares in aggregate. The Underwriting Agreement provides that any take up of entitlements under the Open Offer by any Underwriter or their connected persons in their capacity as Shareholders will be taken into account in determining the number of Offer Shares, if any, which the relevant Underwriter is required to subscribe for under the Underwriting Agreement.

The Underwriting Agreement is conditional, *inter alia*, on:

- (i) the passing of the Resolutions at the Extraordinary General Meeting; and
- (ii) Admission taking place by close of business on 31 March 2006.

No fees or commissions are payable to the Underwriters under the Underwriting Agreement. The Underwriting Agreement includes certain warranties given by the Company to the Underwriters and KBC Peel Hunt.

- (b) On 26 August 2004, the Company entered into an underwriting agreement between (1) Scarborough (2) the Company and (3) KBC Peel Hunt. Pursuant to that agreement, KBC Peel Hunt agreed to act as the Company's nominated adviser in connection with its application for admission to AIM and as the Company's agent in connection with the open offer to which the agreement related and Scarborough agreed to subscribe at the price of 10p per Ordinary Share any new Ordinary Shares, proposed to be issued pursuant to the relevant open offer to Shareholders, up to a maximum commitment of 50,000,000 Ordinary Shares. The agreement provided that Scarborough intended that it would and/or that K C McCabe and/or his connected persons would, as soon as reasonably practicable following the date on which admission would become effective, dispose of Ordinary Shares to an unconnected third party and to Mr Zhang so as to reduce the aggregate interests in Ordinary Shares of Scarborough, K C McCabe and/or his connected persons to less than 30 per cent. of the issued share capital of the Company, provided that they were to be under no obligation to dispose of Ordinary Shares at a price lower than 10p per Ordinary Share.

No fees or commissions were payable to Scarborough under that underwriting agreement.

The agreement included certain warranties given by the Company in favour of Scarborough and KBC Peel Hunt.

- (c) An agreement for lease dated 15 April 2004 between (1) the Club and (2) Las Vegas Sands (Sheffield United) Limited. The agreement for lease is conditional, *inter alia*, on:
- (i) the enactment of new legislation by the United Kingdom Parliament enabling, *inter alia*, the more widespread development of casino facilities in the United Kingdom; and
 - (ii) the grant of satisfactory planning permission by the Local Authority or the Secretary of State for the development of, and use of, part of the land at Bramall Lane as an entertainment complex.

Pursuant to the agreement for lease, the Club has agreed, subject to satisfaction of the conditions therein, to grant a lease in the form annexed thereto.

The agreement for lease includes certain covenants and warranties given by the Club in favour of Las Vegas Sands (Sheffield United) Limited.

- (d) On 30 March 2005 the Company entered into a joint venture agreement with SPC Group (a subsidiary company of Scarborough) and United Scarborough Estates Group Limited to regulate the respective rights as shareholders of SPC Group and the Company in USE. The Company has a 50 per cent. interest in USE, a company incorporated to act as the holding company for United Scarborough Estates Limited which was set up to identify, acquire and develop commercial property. The Company and SPC Group are obliged to fund by way of loan at commercial rates 10 per cent. of the budgeted cost of any agreed property development. Under the terms of the agreement, the balance of the funding would be provided by third party funders.

16. Market quotations

The Existing Ordinary Shares are listed on AIM. The closing middle market quotations for the Ordinary Shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange for the first dealing day in each of the six months before the date of this document and 7 February 2006 (the last practicable date prior to the date of publication of this document) are as follows:

| <i>Date</i> | <i>Price per share (p)</i> |
|------------------|----------------------------|
| 1 September 2005 | 10.375 |
| 3 October 2005 | 16 |
| 1 November 2005 | 19 |
| 1 December 2005 | 17.5 |
| 3 January 2006 | 19.75 |
| 1 February 2006 | 19.5 |
| 7 February 2006 | 21.75 |

17. Property Plant and Equipment of the Group

- (a) Except as set out in paragraphs 17(b) and (d) below, the Group does not have, and has no current intention to acquire, any material tangible fixed assets (including leased properties).
- (b) The following is a summary of the principal properties of the Group:

| <i>Location</i> | <i>Description</i> | <i>Size</i> | <i>Tenure</i> |
|-------------------------------------|---|-------------|---------------|
| Bramall Lane, Sheffield | Football Stadium, superstore and surrounding car park areas | 11 acres | Freehold |
| The Academy, Shirecliffe, Sheffield | Indoor and Outdoor training ground, facilities and gym | 22 acres | Freehold |

- (c) To the best of the Company's knowledge as at 7 February 2006 (being the last practicable date prior to publication of this document), the Company is unaware of any material environmental issues that may affect the Company's utilisation of its assets generally or the above named properties more particularly.
- (d) Pursuant to the Acquisition, the Club intends to acquire the following property:

| <i>Location</i> | <i>Description</i> | <i>Size</i> | <i>Tenure</i> |
|----------------------------------|--------------------|-------------|---------------|
| Wheatsheaf Lane, Staines, Surrey | Land and buildings | 4 acres | Freehold |

18. Employees

Set out below are the average number of employees employed by the Company for the period covered by the financial information contained in Part IV of this document. The total number of staff increased between 2003 and 2005 from 225 employees to 241 employees.

Annual average employee numbers (including executive directors) were as follows:

| | <i>Years ended 30 June</i> | | |
|-------------|----------------------------|-------------|-------------|
| | <i>2005</i> | <i>2004</i> | <i>2003</i> |
| Total staff | 241 | 234 | 225 |

19. Capitalisation and Indebtedness

The capitalisation and indebtedness of the Group as at 30 June 2005 and 31 December 2005 is set out below. The information has been extracted from the audited accounts of the Group as at 30 June 2005 and has been supplied by management (unaudited) as at 31 December 2005.

| | <i>As at 30 June 2005 £'000</i> | <i>As at 31 December 2005 £'000</i> |
|--|---|---|
| Total current debt | | |
| Guaranteed | – | – |
| Secured | 1,522 | 1,569 |
| Unguaranteed/unsecured | – | – |
| | <u>1,522</u> | <u>1,569</u> |
| Total non-current current debt (excluding current proportion of long-term debt) | | |
| Guaranteed | – | – |
| Secured | 8,486 | 11,856 |
| Unguaranteed/unsecured | 62 | – |
| | <u>8,548</u> | <u>11,856</u> |
| Shareholder's equity | | |
| Share capital | 14,248 | 14,248 |
| Legal reserve | – | – |
| Other reserves | 16,580 | 16,555 |
| | <u>40,911</u> | <u>44,228</u> |

The net indebtedness of the Group in the short and medium terms is as follows:

| | <i>As at 30 June 2005 £'000</i> | <i>As at 31 December 2005 £'000</i> |
|---|---|---|
| Cash | – | – |
| Cash equivalent (detail) | – | – |
| Trading securities | – | – |
| | <u>–</u> | <u>–</u> |
| Liquidity | – | – |
| | <u>–</u> | <u>–</u> |
| Current financial receivable | | |
| Current bank debt | 1,512 | 1,515 |
| Current portion of non-current debt | – | – |
| Other current financial debt | 23 | 53 |
| | <u>1,535</u> | <u>1,568</u> |
| Current financial debt | 1,535 | 1,568 |
| Net current financial indebtedness | <u>1,535</u> | <u>1,568</u> |
| Non current bank loans | 8,486 | 11,856 |
| Bonds issued | – | – |
| Other non-current loans | 62 | – |
| | <u>8,548</u> | <u>11,856</u> |
| Non current financial indebtedness | 8,548 | 11,856 |
| Net financial indebtedness | <u>10,083</u> | <u>13,424</u> |

Other than as disclosed above, there has been no material change in the capitalisation of the Group since 30 June 2005. The Group does not have any indirect or contingent indebtedness as at 31 December 2005.

20. Dividend policy

The Company has not paid a dividend in the last three financial years ended 30 June 2005. In view of the substantial deficit on the profit and loss account of the Company at 30 June 2005, the current policy is for no dividends to be paid by the Company.

21. Significant Change

Save for the significant changes in relation to the profits of the property joint venture, the investment of additional sums in player wages and player acquisitions as disclosed in paragraph 5 of Part I of this document, there has been no significant or material change in the financial or trading position of the Group since 30 June 2005, being the date of the end of the last financial period for which audited financial statements of the Group have been published.

22. Working Capital

It is the opinion of the Company and the Directors that, after taking into account the available facilities of the Group and minimum net proceeds of the Open Offer (being the Underwriters' aggregate minimum underwriting commitment, net of expenses, of £8.55 million), the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

23. Taxation

The following statements are intended only as a general guide to the current tax position under UK taxation law and practice. They do not apply to certain classes of Shareholders such as dealers in securities, or Shareholders who are not absolute beneficial owners of their shares. Any person who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the UK should consult his or her professional adviser without delay.

Dividends

Individual Shareholders whose income is within the lower or basic rate bands are liable to tax at 10 per cent. on their gross dividend income. Individual Shareholders resident for tax purposes in the UK are entitled to a tax credit of an amount equal to 10 per cent. of the aggregate of the dividend and the tax credit. The effect of this is that the tax credit attaching to the dividend will satisfy the income tax liability on UK dividends of an individual Shareholder whose income is within the lower or basic rate bands. Shareholders liable to higher rate tax (currently at a rate of 40 per cent. for income other than dividends) have a liability to income tax of 32.5 per cent. After setting off the tax credit, a higher rate taxpayer will be liable to additional income tax equal to 25 per cent. of the net dividend. If the individual United Kingdom resident Shareholder's total tax credit on such dividends exceeds his overall United Kingdom tax liability, he may no longer claim repayment of the excess from HM Revenue & Customs.

A corporate Shareholder resident for tax purposes in the UK will not be chargeable to UK corporation tax on any dividend received from the Company and will normally be able to treat any such dividend as franked investment income.

Individual Shareholders who are resident for tax purposes in countries other than the UK and who are Commonwealth citizens and citizens of countries within the European Union, Iceland, Liechtenstein and Norway, residents of the Isle of Man or Channel Islands and certain others, are entitled to a tax credit as if they were resident for tax purposes in the UK. They may set this tax credit off against their total UK income tax liability. Such shareholders will generally not be able to claim repayment of the tax credit from the HM Revenue & Customs.

UK resident trustees of discretionary or accumulation trusts are liable to income tax on UK company dividends at 32.5 per cent. of the gross dividend, which after setting off the tax credit equal to 10 per cent. of the gross dividend, will result in additional income tax equal to 25 per cent. of the net dividend.

Taxation of chargeable gains

HM Revenue & Customs takes the view that in circumstances such as these the issue of Offer Shares under the Open Offer by the Company to Qualifying Shareholders up to each such shareholder's minimum entitlement will amount to a reorganisation of the share capital of the Company for the purposes of UK taxation of capital gains. Accordingly, Offer Shares issued to a Qualifying Shareholder by the Company pursuant to the Open Offer up to each such shareholder's minimum entitlement will be treated as the same asset as such shareholder's existing holding, and the price paid by such shareholder for such Offer Shares will be added to the base cost of his existing holding. In the case of a non-corporate Qualifying Shareholder, taper relief (if applicable) will be applied on both the existing holding and the Offer Shares by reference to the date of acquisition of the existing holding, subject to transitional rules for shares acquired prior to 6 April 1998. For Offer Shares issued in excess of the minimum *pro rata* entitlement, taper relief will apply from the date of their acquisition. In the case of a corporate Qualifying Shareholder, indexation allowance on the subscription price for the Offer Shares will be calculated from the date of subscription for the Offer Shares. The capital gains tax consequence of any future disposal of any shares in the Company by a Qualifying Shareholder will depend upon that Qualifying Shareholder's circumstances.

Stamp duty and stamp duty reserve tax

The issue of Offer Shares by the Company to Qualifying Shareholders pursuant to the Open Offer will not be subject to any stamp duty or stamp duty reserve tax. Any further dealings in these shares will be subject to stamp duty or stamp duty reserve tax in the normal way (unless issued to a person to whom the depositary receipts or clearance services charge to SDRT applies at a rate of 1.5 per cent.).

24. General

- (a) Save as disclosed in paragraphs 11(d) and (e) of this Part VI, there is no agreement, arrangement or understanding whereby the beneficial ownership of the Ordinary Shares held by the members of the Concert Party or the Offer Shares to be held by them following the Open Offer will be transferred to any other persons.
- (b) Save for the Underwriting Agreement, and the Acquisition Agreement and save as disclosed in paragraphs 11(d) and (e) of this Part VI, no agreement, arrangement or understanding (including any compensation arrangement) exists between any member of the Concert Party or any person acting in concert with them and any of the Directors, recent directors, Shareholders or recent shareholders of the Company, or any person interested or recently interested in Shares of the Company, having any connection with or dependence on the Proposals set out in this document. The Underwriters have confirmed that they will fund the payments to be made by them for Offer Shares from their own resources.
- (c) The proposals as described in this document involve no arrangements whereby the payment of interest on, repayment of or security for any liability (contingent or otherwise) incurred in connection with the Open Offer will depend to any significant extent on the business of the Company.
- (d) The expenses of the Open Offer are estimated at approximately £200,000 (excluding VAT) and are payable by the Company. The minimum net cash proceeds of the Open Offer accruing to the Company are estimated at £8.55 million and will be used for the purposes described in Part I of this document.
- (e) The Offer Shares will, when issued, be in registered form and in certificated form.
- (f) The Directors believe that there are no patents, licences, contracts or new manufacturing processes which are of fundamental importance to the Group's business or profitability.

- (g) The Offer Shares will be and the Existing Ordinary Shares of the Company are subject to the rules regarding mandatory takeover offers set out in the City Code as described in paragraph 5 of Part I of this document. Under Rule 9 of the City Code, when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent., but not more than 50 per cent., of the voting rights of the company subject to the City Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights, then in either case that person together with the persons acting in concert with him is normally required to make a general offer in cash, at the highest price paid by him, or any person acting in concert with him, for shares in the company within the preceding 12 months, for all the remaining equity share capital of the company.
- (h) The Offer Shares will be and the Existing Ordinary Shares are, also subject to the compulsory acquisition procedures set out in sections 428 to 430F (inclusive) of the Act. Under section 429 of the Act, where an offeror makes a takeover offer (as defined in section 428 of the Act) and receives valid acceptances in respect of, or acquires, more than 90 per cent. of the shares to which the offer relates, that offeror is entitled to acquire compulsorily those shares not assented to the offer.
- (i) The Offer Shares will be created and allotted under the laws of England and Wales pursuant to the Resolutions to be proposed at the Extraordinary General Meeting and the currency of the new Ordinary Shares will be pounds sterling.
- (j) The percentage of the enlarged issued share capital represented by the Offer Shares (if all the Offer Shares are subscribed for) would be 33.33 per cent. On the assumption that none of the Qualifying Shareholders apply for any of the Offer Shares and that the Underwriters subscribe for their Underwriting commitments in full the percentage of the enlarged issued share capital represented by the Offer Shares subscribed for by the Underwriters, shall be 29.05 per cent.
- (k) The financial information set out in Part IV of this document does not constitute statutory accounts within the meaning of section 240 of the Act. The consolidated financial statements of the Group in respect of the three financial years ended 30 June 2005 were audited by, and received an unqualified auditors' report from, in respect of the financial year ended 30 June 2003, Grant Thornton, Chartered Accountants and Registered Auditors, and in respect of the financial years ended 30 June 2004 and 2005, Grant Thornton UK LLP, Chartered Accountants and Registered Auditors, both of 28 Kenwood Park Road, Sheffield, S7 1NG and did not contain a statement under section 237(2) or (3) of the Act. The consolidated financial statements of the Group for the financial years ended 30 June 2003, 30 June 2004 and 30 June 2005 have been delivered to the Registrar of Companies in England and Wales.
- (l) KBC Peel Hunt, of 111 Old Broad Street, London EC2N 1PH, is the Company's nominated adviser and broker. KBC Peel Hunt is regulated in the UK by the Financial Services Authority.

25. Consents

- (a) KBC Peel Hunt has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and letter in section C of Part IV of this document and references to its name and letter in the form and context in which they appear.
- (b) Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion in this document of its reports in section A and section C of Part IV of this document and the references to the reports and to its name in the form and context in which they are included.

26. Registered office addresses of Concert Party members

| <i>Company</i> | <i>Registered office</i> |
|----------------------------------|--|
| Scarborough Property Company plc | 93 George Street, Edinburgh, Lothian EH2 3ES |
| Scarborough Group Holdings plc | Europa House, 20 Esplanade, Scarborough, North Yorkshire YO11 2AQ |
| SDG Caledonia Limited | 93 George Street, Edinburgh, Lothian EH2 3ES |
| Craftglen Limited | Windsor House, 5 St Andrews Court, Leeds, West Yorkshire LS3 1JY |

27. Documents available for inspection

Copies of the following documents may be inspected at DLA Piper Rudnick Gray Cary UK LLP, 3 Noble Street, London EC2V 7EE during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this document until the later of the closing of the Open Offer and the closing of the Extraordinary General Meeting:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated accounts of the Group for the two financial years ended 30 June 2005;
- (c) the material contracts referred to in paragraph 15 above of which certain clauses in the contract summarised in paragraph 15(c) have been struck out for reasons of commercial sensitivity;
- (d) the consent letters referred to in paragraph 25 above;
- (e) the report of Grant Thornton UK LLP and the letter from KBC Peel Hunt, as set out in section C of Part IV of this document; and
- (f) the service agreements of M T Fenoughty and J Rockett referred to in paragraph 7 above.

8 February 2006

Sheffield United plc

(Registered in England and Wales – No. 396956)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING (the “Meeting”) of Sheffield United plc (the “Company”) will be held at the Hfs Millennium Suite, Bramall Lane, Sheffield S2 4SU on 3 March 2006 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which numbers 1, 2 and 4 will be proposed as ordinary resolutions of the Company and number 3 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. That, the waiver by the Panel on Takeovers and Mergers of any requirement for the Concert Party (as defined in the prospectus dated 8 February 2006 containing the notice of this Meeting (the “Prospectus”)) to make a general offer for all the share capital of the Company not owned by the Concert Party under Rule 9 of the City Code on Takeovers and Mergers which would otherwise arise by reason of the issue of ordinary shares in the Company pursuant to the Underwriting and/or the Open Offer (as each is defined in the Prospectus) be and is hereby approved.
2. That, subject to and conditionally upon (but effective immediately prior to) (i) admission to trading on the London Stock Exchange plc’s Alternative Investment Market of the new ordinary shares to be issued pursuant to the Open Offer (“**Admission**”) and (ii) the Underwriting Agreement (as defined in the Prospectus) becoming unconditional in all respects (other than for the passing of this resolution and resolutions 3 and 4 and for Admission):
 - (a) the authorised share capital of the Company be increased from £24,000,000 divided into 240,000,000 ordinary shares of 10p each to £26,500,000 divided into 265,000,000 ordinary shares of 10p each by the creation of 25,000,000 ordinary shares of 10p each ranking *pari passu* in all respects with the existing ordinary shares of 10p each in the capital of the Company; and
 - (b) the directors of the Company (the “Directors”), in addition to the authority conferred on the Directors pursuant to a resolution passed at the annual general meeting of the Company on 12 December 2005, be and are hereby generally authorised for the purposes of Section 80 of the Companies Act 1985 (the “Act”) to exercise all powers of the Company to allot relevant securities (within the meaning of the said Section 80) of the Company up to a maximum aggregate nominal value of £7,124,256.50 in connection with the Open Offer and the Underwriting provided that this authority shall expire on 30 April 2006 unless previously renewed, varied or revoked by the Company in general meeting, and provided 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 in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION

3. That, subject to and conditionally upon the passing of resolution 2 and upon (but effective immediately prior to) (i) Admission and (ii) the Underwriting Agreement becoming unconditional in all respects (other than for the passing of this resolution and resolutions 1, 2 and 4 and for Admission), pursuant to section 95 of the Act, and in addition to the power conferred on the Directors pursuant to a resolution passed at the annual general meeting of the Company held on 12 December 2005, the Directors be and are hereby empowered to allot equity securities (within the meaning of sections 94(2) to 94(3A) of the Act) for cash pursuant to the authority conferred by resolution 2(b) as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to a maximum aggregate nominal value of £7,124,256.50 in accordance with the terms of the Open Offer and the Underwriting Agreement (subject to such non material amendments to the terms

of the Open Offer and/or the Underwriting Agreement as the Directors (or a duly authorised committee of the Directors) may consider necessary or desirable) and (unless previously revoked, varied or renewed) this power shall expire on 30 April 2006, save that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred hereby had not expired.

ORDINARY RESOLUTION

4. That, subject to and conditionally upon (but effective immediately prior to) (i) Admission and (ii) the Underwriting Agreement having been completed, in accordance with section 320(1) of the Act, the entry into by The Sheffield United Football Club Limited, a wholly-owned subsidiary of the Company (the "Subsidiary"), of an agreement to acquire the Thames Club between (1) Wheatsheaf Park (Staines) Limited and (2) the Subsidiary (the "Acquisition Agreement") as described in the Prospectus be and is hereby approved and that the directors of the Subsidiary be and are authorised to take all steps necessary or desirable to give effect to the Acquisition Agreement and any of the documents referred to in it and to make or enter into such variations, revisions, modifications and/or supplements to the terms or proposed terms of the Acquisition Agreement as the directors consider to be in the best interests of the Subsidiary.

Registered office:

Bramall Lane
Sheffield S2 4SU

By Order of the Board

Mark Fenoughty
Secretary

Dated 8 February 2006

Notes:

- (1) A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
- (2) Voting on resolution 1 will be conducted on a poll of independent shareholders in order to comply with the requirements of the Panel on Takeovers and Mergers.
- (3) A prepaid form of proxy is enclosed. To be valid, the form of proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be deposited at the offices of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time appointed for holding the above Meeting or any adjournment thereof. Completion of the form of proxy will not preclude a member from attending and voting in person.
- (4) The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those shareholders entered in the register of members of the Company as at 6.00 p.m. on 1 March 2006 or, if the meeting is adjourned, members entered on the register of members of the Company not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend or vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

