Company Registration No. 00077797

The Football Association Limited

Report and financial statements

31 December 2005

The Football Association Limited

Report and financial statements for the year ended 31 December 2005

Contents

The Football Association Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of The Football Association Limited ("the Company" or "The FA") is to promote the game of Association Football ("the game"). The principal activity of the National Football Centre Limited ("NFC") is to promote the game through the development and operation of football related facilities. The principal activity of FA Learning Limited ("FAL") is to promote the game through the organisation and delivery of educational activities, principally in the fields of coaching, refereeing, medical and exercise science and child protection.

The principal continuing activity of Wembley National Stadium Limited ("WNSL") is to organise sporting and other entertainment events at Wembley Stadium ("Stadium") and other sporting venues. This includes managing the Wembley construction project through to completion.

Wembley National Stadium Limited

Details of the uncertainty around the carrying value of assets and liabilities relating to WNSL are described in Note 1 of the financial statements.

Financial review

source: management accounts

The Group's turnover in 2005 has fallen by 15% to £175,578,000 (2004: £206,145,000) which can be seen from the graph above and is explained as follows:

- Broadcasting income has fallen by 28% to £93,424,000 (2004: £129,275,000). The main component of broadcasting income is the sale of TV broadcasting rights for the UK and Eire. On 1 August 2004 a new four-year contract started with the BBC and Sky to broadcast various FA competitions (including The FA Cup) and England teams. The annual income from this contract is lower than the previous deal as a result of prevailing market conditions at the time the contract was agreed in 2003;
- Sponsorship & other commercial income has increased by 7% to £47,179,000 (2004: £44,104,000). See Other Developments for further comments;
- Gate receipts have increased by 33% to £17,630,000 (2004: £13,223,000) due to one additional home fixture for the England senior team (five in 2005 compared with four in 2004) and the use of a higher capacity stadium for the FA Cup semi finals;

Directors' report

Financial review (continued)

- No tournament income was earned in 2005 (2004: £6,741,000);
- Other income has increased by 41% to £11,445,000 (2004: £8,099,000) mainly due to increased grant income and an increase in training course income; and
- Stadium and event management income has increased by 25% to £5,900,000 (2004: £4,703,000) due mainly to an increase in stadium sponsorship and an increase in corporate hospitality income due to the additional England senior team home fixture referred to above.

source: management accounts

Overall, the Group's total costs and payments to the game have fallen by 25% to £131,740,000 (2004: £176,208,000), which can be seen from the graph above and is explained as follows:

- Other operating expenses and costs of sales have increased by 4% to £86,141,000 (2004: £82,547,000) due to the payment of a World Cup qualification bonus to players and coaching staff and an increase in WNSL's operating costs as the Stadium moves closer to completion;
- No tournament costs were incurred in 2005 (2004: £7,178,000);
- Distributions to the game (as detailed in Note 4) have fallen by 64% to £21,305,000 (2004: £59,903,000) due to the high level of funding provided to the Football Foundation in the prior year; and
- Payments to the game have fallen by 9% to £24,294,000 (2004: £26,580,000), principally due to lower prize funds and TV appearance fees to clubs competing in The FA Cup and other competitions run by The FA, which have been scaled back in recognition of the reduction in domestic TV income.

Directors' report

Financial review (continued)

Pensions

In 2005, the Company has adopted FRS 17 Retirement Benefits, and the comparative figures in the primary statements and notes have been restated to reflect this change.

The FA's defined benefit pension scheme (the "scheme") was closed to new members in December 2002 and a new defined contribution scheme was established.

During the year, the deficit in the scheme has increased by 36% to £10,049,000 (2004: £7,413,000) due to the following reasons:

- A change in the underlying assumptions used in calculating the financial position of the scheme, mainly relating to an increase in life expectancy in line with recent studies performed by the Institute of Actuaries and a lower liability discount rate of 4.7% (2004:5.3%) based on AA rated corporate bonds (£5,090,000);
- An increase in the current service cost of the scheme in excess of the contributions paid by the Company (£473,000);
- Experience losses and other finance costs (£509,000); partially offset by
- A return on scheme assets of £3,436,000.

Full information regarding the scheme and underlying assumptions used to calculate the financial position can be found in Note 2(g), Note 11 and Note 22 of these financial statements.

Taxation

The total tax charge for the period was £14,033,000, comprising a current tax charge of £394,000 and a deferred tax charge of £13,639,000.

The current tax charge relates to the capital gain on the sale in 2000 of The FA's offices at Lancaster Gate (£293,000) which was paid in December 2005 and Japanese withholding tax on commercial revenues which has been deducted at source (£101,000).

Cash flow

The Group generated a cash inflow in the year from operating activities of £7,382,000 (2004: outflow of £18,552,000).

After net interest and fees of £18,644,000, taxation of £1,170,000 and capital expenditure of £149,770,000, the Group incurred a net outflow before financing of £162,202,000. After financing of £179,861,000, the Group's net debt increased to £276,032,000.

Other developments and future prospects

The FA

The FA Partner Programme expired at the end of season 2005/06. The term of the next FA Partner Programme is four years, from 1 August 2006 through to the FIFA World Cup in South Africa in 2010.

The FA Partner Programme includes three core areas:

- The England team
- The FA Cup
- Football development

Directors' report

Other developments and future prospects (continued)

The FA (continued)

The England team and the FA Cup each have respective "Lead Partners" and a three-strong tier of "Supporters".

Contracts have been signed with the England team Lead Partner, Nationwide Building Society, and two Supporters, Umbro and Carlsberg.

Contracts have also been signed with the FA Cup Lead Partner, E.ON and two Supporters, Umbro and Carlsberg.

All these organisations, alongside McDonald's, also support and actively associate themselves with specific development areas.

Negotiations are ongoing in relation to the remaining Supporter position.

In addition, during December 2005 The FA signed a wide-ranging series of agreements with Umbro, including a new kit design and supply deal and official football supplier deal, which will run until 2014. This improved deal has brought a significant level of stability to one of our key sources of income.

WNSL

See Note 1.

NFC

During 2005, the Group arranged a tender process to build and operate accommodation facilities at Byrkley Park to accompany the pitchworks. At the time of signing, the Board are continuing to look at all options available for the site.

Corporate governance

During 2005 the Board initiated a review of the corporate structure within The FA. This was led by an independent Chairman, Lord Burns, who reported his conclusions in Autumn 2005. These are available to the public on www.thefa.com.

At the time of signing, these conclusions have been considered by the Board and referred for debate by The FA's shareholders.

Audit Committee and Remuneration Committee

The Audit and Remuneration Committees of The FA exist with specific terms of reference that deal with their authorities and duties.

The Audit Committee comprises Board member R F Burden (Chairman) and two independent non Board members, A Newell and R Gossage. It considers matters relating to the financial controls, the reporting of results and the effectiveness and cost of the audit. It meets at least twice a year with management and the Group's auditors.

During the year the Remuneration Committee comprised D B Dein, R F Burden, P J Heard and R W Kiddell. On 14 July D B Dein and P J Heard were replaced by P A Gartside and D Gill. The Renumeration Committee is responsible for advising the Board on the pay and terms and conditions of the Chief Executive and members of senior management. In discharging its duties the Remuneration Committee takes independent advice where appropriate.

Directors of the Company

The Board of The FA contains 12 voting directors who are elected by stakeholders in the Company. In addition, the Chairman and Chief Executive are non-voting Board members. The Board meets on a monthly basis to review the performance of the Group and to determine long-term objectives and strategies and is supplied with management accounts and other relevant information.

The Chairman is elected on a four year cycle, the Chief Executive is appointed by the Board, and each of the voting directors are subject to re-election at least every three years. There is a clear division of responsibility between the roles of Chairman and Chief Executive.

Directors' report

Corporate governance (continued)

Directors of the Company (continued)

The Board is empowered to appoint sub-committees, incorporating independent membership as it considers appropriate.

WNSL

WNSL has its own Corporate Governance and Audit Committee ("CG&A"), Risk Committee and Remuneration Committee. The CG&A is chaired by D Ross. It comprises two further non-executive directors, being M Jeffries and C Sherling, together with the Chief Executive, M Cunnah and the Director of Finance, R Maslin. The duties of the CG&A, the Risk Committee and the Remuneration Committee are set out in the accounts of WNSL.

Directors and their interests

The persons listed below served as directors of the Company throughout the year, except as noted. Each of the directors held a non-beneficial ownership of one share in the Company.

G Thompson	Chairman	
B Barwick	Chief Executive	Appointed 31 January 2005
B W Bright	FA Vice Chairman, Kent County FA	
R F Burden	Gloucester County FA	
R Coar	The FA Premier League, Blackburn Rovers FC	Appointed 25 June 2005
D B Dein	The FA Premier League, Arsenal FC	Resigned 14 July 2006
M Game	Essex County FA	Appointed 14 July 2006
P A Gartside	The FA Premier League, Bolton Wanderers FC	
D Gill	The FA Premier League, Manchester United FC	Appointed 14 July 2006
P J Heard	The Football League, Colchester United FC	Resigned 14 July 2006
D J Henson	Devon County FA	
P S Hough	Dorset County FA	
R W Kiddell	FA Vice Chairman, Norfolk County FA	Resigned 14 July 2006
R Lowe	The FA Premier League, Southampton FC	Resigned 25 June 2005
Lord Mawhinney	The Football League	Appointed 14 July 2006
M H Rawding	East Riding County FA	See Note below
D G Richards	The FA Premier League	
D Sheepshanks	The Football League, Ipswich Town FC	
E J Ward	Hampshire County FA	Appointed 5 May 2005

On 14 February 2005 M H Rawding sadly passed away. The directors wish to express their sincere gratitude for his significant contribution to The FA.

Charitable donations

The Group made charitable donations of £3,950,000 (2004: £35,417,000) during the year. The donations paid can be summarised into the following headings:

	2005 £'000	**2004 £'000**
Donations to football charities	1,900	34,275
Donations generated from the Community Shield	1,917	1,108
Other donations	133	34
Total charitable donations	3,950	35,417

The Football Association Limited

Directors' report

Disabled employees

Applications for employment of disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and Company newsletters.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Extraordinary General Meeting.

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

Simon Johnson

Company Secretary

5 October 2006

The Football Association Limited

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Football Association Limited

Independent auditors' report to the members of The Football Association Limited

We have audited the Group and individual financial statements (the "financial statements") of The Football Association Limited for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and individual Company balance sheets, the consolidated cash flow statement and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the individual Company's affairs as at 31 December 2005 and of the Group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Independent auditors' report to the members of The Football Association Limited

Emphasis of matter – Carrying value of assets and liabilities relating to Wembley National Stadium Limited

Without qualifying our opinion, we draw attention to the disclosures made in Note 1 of the financial statements concerning the uncertainties as to:

- the date of operational completion of Wembley Stadium, the principal asset of The FA's subsidiary Wembley National Stadium Limited ("WNSL");
- the successful outcome of WNSL's renegotiation of its banking terms; and
- the amount and outcome of any potential claims by the contractor against WNSL.

These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties which may cast significant doubt about WNSL's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. WNSL has limited recourse to The FA and on this basis the directors of The FA have concluded that it is appropriate to prepare these financial statements for The FA on a going concern basis. However, if WNSL were not a going concern, or if successful claims were made by the contractor, adjustments might be required to the consolidated financial statements (including to write-down fixed assets and to provide for any claims) and to write down the carrying value of the inter-Company loan receivable from WNSL in The FA's own balance sheet. The financial statements do not give details of these potential adjustments as it is not practicable to quantify them.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
St Albans, United Kingdom

5 October 2006

The Football Association Limited

Consolidated profit and loss account
Year ended 31 December 2005

	Notes	2005 £'000	Restated (see Note 11) 2004 £'000
Turnover	2, 3	175,578	206,145
Cost of sales		(60,230)	(66,196)
Gross profit		115,348	139,949
Operating expenses	4	(71,510)	(110,012)
Operating profit	7	43,838	29,937
Interest payable and similar charges	8	(546)	(460)
Interest receivable and similar income	9	1,913	3,683
Profit on ordinary activities before taxation		45,205	33,160
Taxation	10	(14,033)	(10,196)
Retained profit on ordinary activities after taxation for the financial year	24	31,172	22,964

All the above results are derived from continuing operations.

The Football Association Limited

Consolidated statement of total recognised gains and losses
Year ended 31 December 2005

	Notes	2005 £'000	Restated (see Note 11) 2004 £'000
Profit for the financial year		31,172	22,964
Actuarial loss on defined benefit scheme in accordance with FRS17 - Retirement Benefits	11	(1,362)	(930)
Total recognised gains and losses relating to the year		29,810	22,034
Prior year adjustment	11	(5,189)	
Total gains and losses recognised since last annual report and accounts		24,621	

The Football Association Limited

Consolidated balance sheet
As at 31 December 2005

	Notes	2005 £'000	Restated (see Note 11) 2004 £'000
Fixed assets			
Intangible assets	12	250	250
Tangible assets	13	566,128	396,003
		566,378	396,253
Current assets			
Stocks	15	68	291
Debtors due within one year	16	26,499	11,044
Debtors due after one year	16	446	142
Cash at bank and in hand		40,348	22,689
		67,361	34,166
Creditors: amounts falling due within one year	17	(80,999)	(94,826)
Net current liabilities		(13,638)	(60,660)
Total assets less current liabilities		552,740	335,593
Creditors: amounts falling due after more than one year	18	(439,265)	(263,208)
Provisions for liabilities and charges	20	(36,855)	(27,420)
Net assets excluding pension liability		76,620	44,965
Pension liability	11, 22	(7,034)	(5,189)
Net assets including pension liability		69,586	39,776
Capital and reserves			
Called up share capital	23	-	-
Profit and loss account	24	69,586	39,776
Equity shareholders' funds	25	69,586	39,776

These financial statements were approved by the Board of Directors on 4 October 2006.

Signed on behalf of the Board of Directors

B Barwick, Director

D Henson, Director

The Football Association Limited

Company balance sheet
As at 31 December 2005

	Notes	2005 £'000	Restated (see Note 11) 2004 £'000
Fixed assets			
Tangible assets	13	1,466	1,507
Investment in subsidiaries	14	1	1
		1,467	1,508
Current assets			
Stocks	15	-	172
Debtors due within one year	16	16,443	9,354
Debtors due after one year	16	146,921	152,970
Cash at bank and in hand		30,165	16,598
		193,529	179,094
Creditors: amounts falling due Within one year	17	(59,183)	(79,675)
Net current assets		134,346	99,419
Total assets less current liabilities		135,813	100,927
Creditors: amounts falling due after more than one year	18	(8,825)	(13,825)
Provisions for liabilities and charges	20	(8,014)	(12,397)
Net assets excluding pension liability		118,974	74,705
Pension liability	11, 22	(7,034)	(5,189)
Net assets including pension liability		111,940	69,516
Capital and reserves			
Called up share capital	23	-	-
Profit and loss account		111,940	69,516
Equity shareholders' funds	25	111,940	69,516

These financial statements were approved by the Board of Directors on 4 October 2006

Signed on behalf of the Board of Directors

B Barwick, Director

D Henson, Director

The Football Association Limited

Consolidated cash flow statement
Year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Net cash inflow/(outflow) from operating activities	26(a)	7,382	(18,552)
Returns on investments and servicing of finance			
Interest paid		(19,145)	(9,411)
Interest received		1,913	1,911
Loan arrangement and commitment fees		(1,412)	(226)
Net cash outflow from returns on investments and servicing of finance		(18,644)	(7,726)
Taxation			
Corporation tax (paid)/received		(1,170)	2,030
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(149,767)	(108,685)
New loan advances		(3)	-
Receipts from sales of tangible fixed assets		-	14
Net cash outflow from capital expenditure and financial investment		(149,770)	(108,671)
Net cash outflow before use of liquid resources and financing		(162,202)	(132,919)
Financing			
Bank loan received		164,937	97,301
Other financing		14,924	20,061
Net cash inflow from financing		179,861	117,362
Increase / (decrease) in cash	26(c)	17,659	(15,557)

Notes to the accounts
Year ended 31 December 2005

1. Carrying values of assets and liabilities relating to Wembley National Stadium Limited

Wembley National Stadium Limited ("WNSL"), a subsidiary of The Football Association ("The FA") is responsible for the construction of the new Wembley Stadium ("the Stadium") through to completion and subsequently the organisation of sporting and other entertainment events at the Stadium and other sporting venues.

One of the consequences of the contractor's continuing delay is that the Stadium was not open by 30 September 2006, which was a condition of WNSL's banking facilities and covenants. This has required WNSL to renegotiate its banking facilities and covenants, specifically rescheduling its first mandatory loan repayment to 31 March 2007, which the directors of WNSL believe, based on current discussions with the contractor, is achievable for operational completion. The formal agreement with the banks has not yet been executed and as a result the directors of WNSL have not approved their financial statements at the date of approval of these Group financial statements. The directors of The FA have, however, been told by the directors of WNSL that they expect this agreement to be completed shortly.

The contractor has alleged that WNSL is responsible for some of the delay in the completion of the Stadium. The contractor commenced seven separate adjudication proceedings. WNSL defended these claims vigorously and launched two of its own adjudication proceedings against the contractor. The adjudicator has given private judgments in all these adjudications and no material award was made to the contractor. In addition, the contractor has notified WNSL that it may wish to pursue further claims under the contract. No such claim has been notified to WNSL as at the date of signing these accounts. However, uncertainty remains over whether the results of the adjudications will be appealed or a decision taken to court, or whether further claims may be made under the contract. The directors of WNSL take regular expert legal and programming advice which supports their position that they have limited exposure to such claims. Accordingly, the directors of WNSL remain confident of their advice based on the awards to date and have assumed that they will be able to negotiate a satisfactory arrangement with the contractor to dispose of any such claim.

The directors of WNSL have prepared cash flow forecasts for the 12 months following approval of these financial statements assuming a range of operational completion dates up to and including 31 March 2007. These cash flows show that WNSL can reasonably expect to have sufficient funds to meet its banking covenants during this period and after the opening of the Stadium on the basis of operational completion by 31 March 2007, formal execution of revised banking agreements, a financial support package agreed in principle with The FA, and the continued recovery of Liquidated and Ascertained Damages due from the contractor. If the Stadium is not open by the 31 March 2007, WNSL will have to renegotiate its banking facilities and covenants once more.

The underlying business plan for the Stadium indicates additional capacity for debt or equity, and on this basis the directors of WNSL believe it will be possible to renegotiate banking facilities again if operational completion is not possible by 31 March 2007. The business plan is supported by the sale of corporate box and premium seats, which continue to progress with c10,000 of the c17,000 seats contracted to date.

It is, however, possible that these assumptions may prove inappropriate because no satisfactory arrangement can be made with the contractor to settle any alleged claims, the contractor proves unable to complete the Stadium prior to 31 March 2007 or WNSL is unable to renegotiate its banking covenants at 31 March 2007 (or to a later date, if necessary). Given the above there exists material uncertainty that may cast significant doubt on WNSL's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. WNSL has limited recourse to The FA (see Note 27c) and on this basis the directors of The FA have concluded that it is appropriate to prepare these financial statements for The FA on a going concern basis. If WNSL were not a going concern, or if successful claims were made by the contractor, adjustments might be required to the consolidated financial statements (including to the carrying value of fixed assets and to provide for claims) and to write down the carrying value of the inter-company loan receivable from WNSL in The FA's own balance sheet. The financial statements do not give details of these potential adjustments as it is not practicable to quantify them.

Notes to the accounts
Year ended 31 December 2005

2. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year, except as described in Note 2(c) below.

a) Basis of accounting

The financial statements have been prepared under the historical cost basis in accordance with applicable United Kingdom accounting standards and company law.

b) Basis of consolidation

The Group accounts consolidate the results of the Company and all its subsidiaries. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

No profit and loss account is presented for the Company, as permitted by Section 230 of the Companies Act 1985. Profit after tax for the year for the Company was £43,784,000 (2004: £33,493,000).

c) Change of accounting policies

The Group has adopted FRS 17 – Retirement Benefits. The full impact on the results contained within the financial statements is explained in Note 11.

d) Turnover

Turnover comprises the value of sales of goods and services (net of VAT, similar taxes and trade discounts) in the normal course of business. Revenue derived from television contracts is recognised as turnover in proportion to the relative weighted values of the matches played during the year and covered under such contracts. Sponsorship and related revenues are recognised on a time basis over the life of the relevant contract. Matchday and related revenues are recognised when the relevant fixture takes place.

e) Barter transactions

Turnover and costs in respect of barter transactions for goods and services are recognised only where there is persuasive evidence of the value at which, if they had not been exchanged, the goods and services would have been sold for cash in a similar transaction.

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the accounts
Year ended 31 December 2005

2. Accounting policies (continued)

g) Pension costs

For defined benefit schemes the amounts charged to operating profit use the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at least triennially and are updated approximately at each balance sheet date for FRS17 purposes. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

h) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

i) Grants and deferred income

Grants received in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by matching with the relevant depreciation expense. Where a grant relates to an asset which is not depreciated, the grant remains in deferred income until the end of the asset's life or when the asset is sold.

Grants made by The FA in the normal course of business are reported in the profit and loss account in the year in which they become unconditionally payable.

j) Investments

Fixed asset investments are shown at cost less provision for impairment. Provisions are made for permanent reductions in value. Provisions for temporary fluctuations in value are not made. Income is included together with the related tax credit in the accounts for the year in which it is receivable.

k) Intangible fixed assets

The WNSL intangible asset is not amortised on the grounds of its expected durability. An impairment review is performed annually.

The directors consider that the Group's intangible asset has an indefinite life due to WNSL's proven and sustained ability to organise sporting and other entertainment events at the Stadium and other sporting venues.

l) Tangible fixed assets

No depreciation is charged on land.

2. **Accounting policies (continued)**

l) Tangible fixed assets (continued)

Assets in the course of construction relate to costs associated with the Byrkley Park development and the construction of the Stadium, including appropriate finance costs. They will be depreciated over their estimated useful lives from completion.

Tangible fixed assets are stated at cost less depreciation and any other provisions for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Long leasehold property	– The shorter of 50 years or the life of the lease
Short leasehold property	– The life of the lease
Motor vehicles	– 4 years
Fixtures, fittings and equipment	– Between 3 – 10 years

m) Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

n) Borrowing costs

The arrangement fees for the committed funding have been offset against the loan and are being amortised over the period of the loan. Finance costs including amortisation of arrangement fees directly attributable to construction are capitalised as assets in the course of construction.

o) Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as at the date of the transaction (or where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to the accounts
Year ended 31 December 2005

3. Segmental information

Turnover, operating profit/(loss) and net assets/(liabilities) by class of business are set out below. All activities arose in the United Kingdom.

	Promotion of Association Football		Stadium and event management		Group	
		Restated (see Note 11)		Restated (see Note 11)		Restated (see Note 11)
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Turnover	169,678	201,442	5,900	4,703	175,578	206,145
Operating profit/(loss)	48,682	33,407	(4,844)	(3,470)	43,838	29,937
Interest payable	(230)	(123)	(316)	(337)	(546)	(460)
Interest receivable	1,471	1,310	442	2,373	1,913	3,683
Profit/(loss) before tax	49,923	34,594	(4,718)	(1,434)	45,205	33,160
Net assets/(liabilities)	111,275	68,777	(41,689)	(29,001)	69,586	39,776

Barter transactions

The amount of barter transactions for goods and other services recognised in turnover is £2,478,000 (2004: £1,933,000).

Notes to the accounts
Year ended 31 December 2005

4. *Operating expenses*

	2005 £'000	Restated (see Note 11) 2004 £'000
The Football Foundation	-	30,375
The Football Stadia Improvement Fund	2,812	2,812
The Football League	6,100	5,530
County FA's	4,411	10,842
Professional Footballers' Association	1,900	1,900
FA Youth Trust and FA National Sports Centre Trust	-	2,000
Other distributions	6,082	6,444
Distributions to the game	21,305	59,903
Employee costs	23,384	23,059
Stadia and event management	4,782	3,705
Other operating expenses	22,039	23,345
Total operating expenses	71,510	110,012

5. Directors' emoluments

	2005 £'000	2004 £'000
Directors' emoluments	452	361
Directors' benefits in kind	48	23
Compensation for loss of office	-	705
Directors' pension payments	18	11
	518	1,100

There are no directors to whom retirement benefits are accruing in respect of qualifying services in respect of defined benefit schemes (2004 - none).

	£'000	£'000
Details of highest paid director		
Total emoluments and benefits in kind	355	243
Compensation for loss of office	-	705
	355	948

Notes to the accounts
Year ended 31 December 2005

6. Employee information

	2005 No.	2004 No.
Average monthly number of persons employed by the Group during the year:		
Promotion of Association Football	272	254
Stadium and event management	67	45
	339	299

	2005 £'000	Restated (see Note 11) 2004 £'000
Their aggregate remuneration comprised:		
Wages and salaries	23,077	22,911
Social security costs	2,376	2,553
Other pension costs	2,186	1,703
	27,639	27,167

The total employee cost has been allocated into cost of sales £4,255,000 (2004: £4,108,000) and operating expenses £23,384,000 (2004: £23,059,000) (see Note 4).

7. Operating profit

The operating profit is after charging/(crediting):

	2005 £'000	2004 £'000
Depreciation – owned assets	1,066	1,220
Profit on sale of fixed assets	-	(14)
Auditor's remuneration		
- Group audit fee (including £90,000 (2004: £86,000) relating to the Company)	140	130
- Other services	386	495
Hire of plant and machinery under operating leases	37	47
Other operating lease rentals	2,423	2,554

Notes to the accounts
Year ended 31 December 2005

8. Interest payable and similar charges

	2005 £'000	Restated (see Note 11) 2004 £'000
Bank interest payable	(20,775)	(11,469)
Less interest capitalised (see Note 13)	20,229	11,009
	(546)	(460)

9. Interest receivable and similar income

	2005 £'000	2004 £'000
Interest receivable	1,913	1,831
Fees refunded on syndication	-	1,852
	1,913	3,683

10. Taxation

	2005 £'000	Restated (see Note 11) 2004 £'000
UK corporation tax at 30% (2004: 30%)	(101)	(1,048)
Adjustment in respect of prior years	(293)	(263)
	(394)	(1,311)
Deferred taxation (see Note 20)	(13,847)	(9,039)
Deferred tax on pension scheme deficit	208	154
	(14,033)	(10,196)

Notes to the accounts
Year ended 31 December 2005

10. Taxation (continued)

The tax assessed for the period is lower than that resulting from applying the standard rate of UK corporation tax at 30% (2004: 30%). The differences are explained below:

	2005 £'000	Restated (see Note 11) 2004 £'000
Profit on ordinary activities before tax	45,205	33,160
Tax at 30% thereon:	(13,562)	(9,948)
Effects of:		
Expenses not deductible for tax purposes	(194)	(406)
Capital allowances in excess of depreciation	7,475	5,727
Movement in short term timing differences	116	141
Unutilised tax losses	(130)	(60)
Capitalised finance costs	6,402	3,652
Other deferred tax movements	(208)	(154)
Adjustment in respect of prior years	(293)	(263)
Current tax charge for period	(394)	(1,311)

11. Change in accounting policy and prior year adjustment

In 2005, the Company has adopted FRS 17 Retirement Benefits, and the comparative figures in the primary statements and notes have been restated to reflect this change.

FRS 17 requires that pension scheme assets are measured using a projected unit method, discounted at an AA corporate bond rate, and the pension scheme surplus or deficit is recognised in full on the balance sheet.

The effects of the change in accounting for pensions by the adoption of FRS 17 are shown overleaf:

11. Change in accounting policy and prior year adjustment (continued)

Profit and loss account

	Group	
	2005	**2004**
	£'000	**£'000**
Increase in operating expenses	(473)	(397)
Increase in finance costs	(218)	(114)
Decrease in profit for the year	(691)	(511)

Statement of total recognised gains and losses

	2005	**2004**
	£'000	**£'000**
Actuarial losses (see Note 22)	(1,945)	(1,328)
Deferred tax	583	398
Increase in total recognised gains and losses	(1,362)	(930)

Balance sheet

	2005	**2004**
	£'000	**£'000**
Increase in pension deficit (see Note 22)	(10,049)	(7,413)
Increase in deferred tax asset on pension deficit (see Note 22)	3,015	2,224
Decrease in net assets	(7,034)	(5,189)

12. Intangible fixed assets

	Intellectual property £'000
Cost and net book value	
At 1 January 2005 and 31 December 2005	250

Intangible assets represent the cost attributed to intellectual property on the acquisition of the Stadium.

Notes to the accounts
Year ended 31 December 2005

13. Tangible fixed assets

Group	Land and buildings £'000	Assets in the course of construction £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:						
At 1 January 2005	70,000	345,042	2,561	25	5,578	423,206
Additions	-	170,433	72	-	686	171,191
Disposals	(3,000)	-	-	-	-	(3,000)
At 31 December 2005	67,000	515,475	2,633	25	6,264	591,397
Accumulated depreciation:						
At 1 January 2005	3,000	17,674	2,120	6	4,403	27,203
Charge for the year	-	-	447	6	613	1,066
Disposals	(3,000)	-	-	-	-	(3,000)
At 31 December 2005	-	17,674	2,567	12	5,016	25,269
Net book value:						
At 31 December 2005	67,000	497,801	66	13	1,248	566,128
At 31 December 2004	67,000	327,368	441	19	1,175	396,003

Group

Land and buildings includes land, which is valued, in the directors' opinion, at the apportioned cost of £64,500,000 arising from the purchase of land and buildings from Wembley plc.

Assets in the course of construction include development costs for the new Stadium and the Byrkley Park development. During the year, finance costs of £20,229,000 (2004: £11,009,000) have been capitalised into the cost of assets in the course of construction. The total amount of finance costs included within assets in the course of construction at the year end are £35,724,000 (2004: £15,496,000). Directly attributable staff costs of £280,000 (2004: £235,000) have been capitalised as assets in the course of construction.

The Byrkley Park development is being carried at its expected net realisable value of £4,250,000.

Notes to the accounts
Year ended 31 December 2005

13. Tangible fixed assets (continued)

Company	Assets in the course of construction £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:					
At 1 January 2005	154	2,561	25	5,012	7,752
Additions	340	72	-	349	761
Disposals	-	-	-	-	-
At 31 December 2005	494	2,633	25	5,361	8,513
Accumulated depreciation:					
At 1 January 2005	-	2,119	6	4,120	6,245
Charge for the year	-	447	6	349	802
Disposals	-	-	-	-	-
At 31 December 2005	-	2,566	12	4,469	7,047
Net book value:					
At 31 December 2005	494	67	13	892	1,466
At 31 December 2004	154	442	19	892	1,507

14. Investments – shares in Group companies

Details of subsidiary companies, in each of which 100% of the nominal value of £1 ordinary shares is held, are as follows:

Name	Activity
The English National Stadium Property Company Limited	Property investment
Wembley National Stadium Limited	Event management and stadium construction
National Football Centre Limited	Property development and operating company
FA Learning Limited	Educational activities

15. Stocks

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Finished goods	68	291	-	172

Notes to the accounts
Year ended 31 December 2005

16. Debtors

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Amounts falling due within one year				
Trade debtors	6,141	2,549	5,059	1,992
Amounts owed from subsidiary undertakings	-	-	1,131	1,105
VAT receivable	2,509	2,076	-	-
Other debtors	6,289	2,368	406	1,147
Prepayments and accrued income	11,560	4,051	9,847	5,110
	26,499	11,044	16,443	9,354
Amounts falling due after one year				
Loans to clubs	298	129	298	129
Sundry loans	148	13	148	13
Loans to subsidiary companies	-	-	146,475	152,828
	446	142	146,921	152,970
Total debtors	26,945	11,186	163,364	162,324

A loan of £141,361,000 (2004: £146,828,000) to WNSL, included in loans to subsidiary companies above, is repayable only after certain obligations under the financing arrangements have been discharged. On an ongoing basis at least £100,000,000 of the loan is not repayable for a minimum period of 50 years from the date of practical completion, unless specific permission from the Secretary of State is given.

17. Creditors: amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Trade creditors	5,096	4,520	4,720	4,144
Other creditors				
- UK corporation tax payable	5,584	6,463	5,584	6,463
- Social security and other taxes	1,529	2,352	1,205	2,069
- Other	1,520	2,199	1,186	2,066
Accruals and deferred income	67,270	79,292	46,488	64,933
	80,999	94,826	59,183	79,675

Notes to the accounts
Year ended 31 December 2005

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

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loan	316,380	150,330	-	-
Accruals and deferred income	8,825	13,742	8,825	13,825
Deferred grants	114,060	99,136	-	-
	439,265	263,208	8,825	13,825

The WNSL bank loan is repayable in instalments over a 13 year period commencing from when the Stadium is operational. Each annual repayment by WNSL will include a mandatory amount, together with a targeted amount based on performance. The amount of each mandatory repayment will be based on a percentage of the loans that are outstanding at the end of each repayment date. The percentages are as follows:

	2005	2004
Less than one year	14.40%	0%
Between one and two years	8.62%	14.40%
Between two and five years	12.55%	8.62%
More than five years	64.43%	76.98%

The bank loan is stated net of unamortised arrangement fees of £13,065,000 (2004: £14,117,393).

Deferred grants comprise the following amounts:	2005	2004
	£'000	£'000
Sport England	78,444	78,444
Department of Culture, Media and Sport ("DCMS")	15,734	7,064
London Development Agency ("LDA")	19,882	13,628
	114,060	99,136

The Sport England grant was made under the terms of Agreements dated 11 November 1997 and 15 May 1998. £11,194,075 of the grant funding relates to assets in the course of construction. This will be amortised over the life of the building, once it becomes operational, leaving a balance of £67,250,000, which represents grants in respect of land of £64,500,000, long leasehold property of £2,500,000 and £250,000 for business intellectual property rights.

The DCMS grant relates to the S106 payments to improve infrastructure of the surrounding area. The LDA grant relates to infrastructure work, which includes certain elements of costs relating to concrete, steel framework and concourses.

Notes to the accounts
Year ended 31 December 2005

19. Financial instruments

The Group has a policy to hedge significant interest rate risk. WNSL has entered into an interest rate swap for £426,400,000, the full amount of its Senior facility. The swap has been profiled on the mandatory repayment schedule and has been fixed at a swap rate of 7.765% p.a., which includes the margin. The rate is fixed for the term of the loan.

At 31 December 2005, WNSL has undrawn committed borrowings of £96,955,000 under the Senior Loan facility and £6,750,000 under the Subordinated Senior Loan facility. These facilities, together with the amounts already withdrawn, expire as follows:

	2005 £'000	2004 £'000
In more than two years	433,150	433,150

The Group also has committed funds of £4,265,000 from the DCMS and £1,118,000 from the LDA.

Notes to the accounts
Year ended 31 December 2005

20. Provisions for liabilities and charges

Group	Deferred tax (see Note 21) £'000	Football development support £'000	Other £'000	Total £'000
At 1 January 2005 (as restated)	14,685	11,948	787	27,420
Utilised in the year	-	(3,892)	(520)	(4,412)
Released in the year	-	-	-	-
Charged in the year	13,847	-	-	13,847
At 31 December 2005	28,532	8,056	267	36,855

Company	Deferred tax (see Note 21) £'000	Football development support £'000	Other £'000	Total £'000
At 1 January 2005 (as restated)	(338)	11,948	787	12,397
Utilised in the year	-	(3,892)	(520)	(4,412)
Released in the year	-	-	-	-
Charged in the year	29	-	-	29
At 31 December 2005	(309)	8,056	267	8,014

Football development support

This relates to the provision for commitments by The FA towards certain development projects in the English game.

Other provisions

Provisions by The FA in relation to the settlement of commercial matters and arising in the normal course of business of The FA, which are expected to be utilised during the period to 31 December 2006.

Notes to the accounts
Year ended 31 December 2005

21. Deferred tax

	Group		Company	
	2005	2004	2004	2005
	£'000	£'000	£'000	£'000
This comprises fully provided deferred taxation attributable to:				
Capital allowances	17,234	9,904	(309)	(223)
Other timing differences	-	(115)	-	(115)
Capitalised finance costs	11,298	4,896	-	-
Deferred tax liability/(asset)	28,532	14,685	(309)	(338)

The amount of unprovided deferred tax in the financial statements is:

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Rollover relief on disposal of property	-	292	-	292
Other timing differences	-	-	-	-
Unprovided deferred tax liability	-	292	-	292

Group

A deferred tax liability has been provided for accelerated capital allowances in line with FRS 19. This liability relates to capital allowances claimed on assets in the course of construction which will not be depreciated until the Stadium is complete.

A deferred tax liability has been provided for capitalised finance costs in line with FRS 19. This liability relates to a deduction taken for finance costs which will be released to the profit and loss accounts in future periods.

Notes to the accounts
Year ended 31 December 2005

22. Pension arrangements

The Group operates a defined benefit pension scheme in the UK. A full actuarial valuation was carried out at 1 January 2003 and updated to 31 December 2005 by a qualified actuary. The major assumptions used for the actuarial valuation were:

Assumptions at 31 December (Expected long-term rates of return)	**2005 % p a**	**2004 % p a**	**2003 % p a**
Discount rate	4.70	5.30	5.40
Rate of increase of pensions in payment	3.50	3.75	3.75
Inflation assumption	2.75	2.75	2.75

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	Long term rate of return expected at 31 December 2005 %	**Value at 31 December 2005 £'000**	**Long term rate of return expected at 31 December 2004 %**	**Value at 31 December 2004 £'000**	**Long term rate of return expected at 31 December 2003 %**	**Value at 31 December 2003 £'000**
Broken down as:						
- Equity investments	6.10	22,572	6.50	17,660	6.80	15,273
- Bond investments	4.25	5,585	4.75	5,517	5.00	5,731
- Cash	4.50	2,634	4.75	1,709	3.75	605
Fair value of assets		30,791		24,886		21,609
Present value of scheme *liabilities*		(40,840)		(32,299)		(27,183)
Deficit in the scheme		(10,049)		(7,413)		(5,574)
Related deferred tax asset		3,015		2,224		1,672
Net pension liability		(7,034)		(5,189)		(3,902)

The contribution rate for 2005 was 19.5% of pensionable earnings, and this level will be reviewed in 2006.

Notes to the accounts
Year ended 31 December 2005

22. Pension arrangements (continued)

	2005 £'000	2004 £'000
Operating profit		
Current service cost	(1,911)	(1,953)
Past service cost	-	-
Total cost included within operating profit	(1,911)	(1,953)
Other finance costs		
Expected return on scheme assets	1,519	1,387
Interest on scheme liabilities	(1,737)	(1,501)
Net finance cost	(218)	(114)
Statement of total recognised gains and losses		
Actual return less expected return on scheme assets	3,436	650
Experience gains/(losses) arising on scheme liabilities	(291)	(557)
Effects of changes in assumptions underlying the present value of scheme liabilities – gain/(loss)	(5,090)	(1,421)
Actuarial loss recognised	(1,945)	(1,328)

The movements in the scheme deficit during the year were as follows:

	2005 £'000	2004 £'000
Deficit in scheme at the beginning of year	(7,413)	(5,574)
Current service cost	(1,911)	(1,953)
Contributions	1,438	1,556
Past service cost	-	-
Other finance cost	(218)	(114)
Actuarial loss	(1,945)	(1,328)
Deficit in scheme at the end of the year	(10,049)	(7,413)

Notes to the accounts
Year ended 31 December 2005

22. Pension arrangements (continued)

History of experience gains and losses:

	31 December 2005	31 December 2004	31 December 2003	31 December 2002
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	3,436	650	1,487	(3,949)
Percentage of scheme assets	11.2%	2.6%	6.9%	22.6%
Experience gains/(losses) on scheme liabilities:				
Amount (£'000)	291	(557)	(237)	223
Percentage of the present value of scheme liabilities	0.7%	1.7%	0.9%	1.0%
Total actuarial loss in the statement of total recognised gains and losses:				
Amount (£'000)	(1,945)	(1,328)	(474)	(4,941)
Percentage of the present value of scheme liabilities	4.8%	4.1%	1.7%	22.3%

From 1 January 2003 new employees have not been able to enter the defined benefit pension scheme. They have instead joined a new money purchase pension scheme. During the year the Group made contributions of £137,360 (2004: £79,401) into this scheme.

23. Called up share capital

The Company has an authorised share capital of £101 (2004: £101) represented by 2,000 (2004: 2,000) ordinary equity shares of 5p each and one Special Rights Preference share of £1 (2004: £1), which is included in liabilities.

At 31 December 2005, 1,614 ordinary shares (2004: 1,614) had been issued and allotted but nil paid.

The shares do not entitle the owner to any dividend or bonus in the Company. The Special Share is held jointly by The FA Premier League Limited and The Football League Limited.

24. Profit and loss reserve

Group	**2005 £'000**	**2004 £'000**
At 31 December 2004 (as previously stated)	44,965	21,644
Prior year adjustment	(5,189)	(3,902)
At 1 January 2005 (as restated)	39,776	17,742
Retained profit for the year	31,172	22,964
Other recognised gains and losses relating to the year (see Note 11)	(1,362)	(930)
At 31 December 2005	69,586	39,776

Notes to the accounts
Year ended 31 December 2005

25. Reconciliation of movements in equity shareholders' funds

Group	**2005 £'000**	**2004 £'000**
Retained profit for the financial year	31,172	22,964
Other recognised gains and losses relating to the year (see Note 11)	(1,362)	(930)
Net addition to shareholders' fund	29,810	22,034
Opening shareholders' funds (as previously stated)	44,965	21,644
Prior year adjustment (see Note 11)	(5,189)	(3,902)
Opening shareholders' funds (as restated)	39,776	17,742
Closing shareholders' funds	69,586	39,776

Notes to the accounts
Year ended 31 December 2005

26. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2005 £'000	2004 £'000
Operating profit	43,838	29,937
Depreciation charges	1,066	1,220
Decrease/(increase) in stocks	223	(174)
Increase in debtors	(13,506)	(1,149)
Decrease in creditors	(20,308)	(50,101)
Decrease/(increase) in provisions	(3,931)	1,729
Profit on disposal of tangible fixed assets	-	(14)
Net cash inflow/(outflow) from operating activities	7,382	(18,552)

(b) Analysis of net funds

	At 1 January 2005 £'000	Non cash movement £'000	Cash flow £'000	At 31 December 2005 £'000
Cash at bank and in hand	22,689	-	17,659	40,348
Debt due	(150,330)	(1,113)	(164,937)	(316,380)
Net funds	(127,641)	(1,113)	(147,278)	(276,032)

(c) Reconciliation of net cash flow to movement in net funds

	2005 £'000	2004 £'000
Increase/(decrease) in cash in the year	17,659	(15,557)
Cash and non-cash outflow from increase in debt financing	(166,050)	(98,412)
	(148,391)	(113,969)
Net debt brought forward	(127,641)	(13,672)
Net debt carried forward	(276,032)	(127,641)

Notes to the accounts
Year ended 31 December 2005

27. Guarantees and other financial commitments

(a) Capital commitments

Commitment fees on borrowing

The Group is committed to a fee of 0.5% p.a. of the amount of the undrawn committed borrowings.

Contract for the Stadium construction

On 26 September 2002 a contract was signed with Multiplex (UK) Constructions Limited for the construction of the new Wembley Stadium at a cost of £445,139,847. At the same time WNSL agreed funding with banks West LB and CSFB, DCMS, the LDA and The FA. Details of this committed funding are given in Note 18.

By 31 December 2005, the contract sum had increased to £466,246,000 with the additional £21,105,842 met by contingency included in the base funding and other sources. At the year end £399,308,000 of the contract sum had been paid.

Byrkley Park development

On 22 January 2003 The FA provided Shepherd Construction Limited with a Parent Company Guarantee of £8,000,000 in respect of the contract for the above project. As at 31 December 2005 the remaining commitment in respect of this contract is £123,000, which has been provided for in these financial statements.

(b) Lease commitments

The Group has entered into non-cancellable operating leases in respect of plant and machinery. In addition the Group leases certain land and buildings on operating leases. The rents payable under these leases are subject to renegotiations at various intervals specified in the leases.

The minimum annual rentals under the foregoing leases are as follows:

	Group			
	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
- within one year	286	154	252	35
- between two and five years	-	84	-	378
- after five years	2,206	-	2,206	-
	2,492	238	2,458	413

(c) Company commitments and contingent commitments to WNSL

The FA has agreed in principle a £25m financial support package to WNSL which will be agreed at the same time as the formal execution of WNSL's revised banking agreement. The FA also has in place a capped annual support agreement with WNSL which will become a commitment once the Stadium is complete. This is currently expected to be £23m for the first year after Stadium completion and £13m per annum thereafter, until certain conditions are met. The directors of The FA have taken the above into account when considering the financial condition of The FA.

Notes to the accounts
Year ended 31 December 2005

27. Guarantees and other financial commitments (continued)

	Company			
	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
- within one year	59	143	49	27
- between two and five years	-	71	-	348
- after five years	2,150	-	2,150	-
	2,209	214	2,199	375

28. Related party transactions

By the Company's nature, and in accordance with its rules, The FA enters into a number of transactions in the normal course of business with County and other Affiliated Associations, The Football Association Premier League Limited, The Football League Limited, The Football Foundation, The Football Stadia Improvement Fund and other competitions and football clubs, of which certain members of the Board are directors.

The FA has a one third interest in Professional Game Match Officials Limited ("PGMOL"), a company limited by guarantee. The results of this associated company have not been included in this report as they are immaterial. If the equity method of accounting under FRS 9 was used the Group's assets would increase by £32,000 (2004 - £28,000), and the Group's profit after tax would increase by £4,000 (2004 - £23,000). The FA contributed £934,000 (2004 - £1,214,000) towards the operating costs of PGMOL that are necessary in providing match officials to the professional game.

29. Contingent asset

A trust fund has been set up with the Law Debenture Trust Corporation Plc to receive upfront payments from box and premium seat sales on behalf of purchasers. Under the terms of the purchase agreement, these monies will become payable to WNSL on operational completion. The amount held in the trust fund as at 31 December 2005 is £41,515,000 (2004: £12,823,000).