

Company Registration No. 00077797

**Deloitte  
& Touche**

**THE FOOTBALL ASSOCIATION LIMITED**

**Report and Financial Statements**

**31 December 2002**

**Deloitte & Touche LLP  
London**



**REPORT AND FINANCIAL STATEMENTS 2002**

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## REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the company is to promote the game of Association Football.

The principal activities of the group are that of the company together with its subsidiaries. The principal continuing activity of Wembley National Stadium Limited ("WNSL") is to organise sporting and other entertainment events at Wembley Stadium and other sporting venues. This includes managing the Wembley construction project through to completion. The principal activity of National Football Centre Limited ("NFC") (formerly known as England Football Enterprises Limited) is to manage the development and operation of football related facilities.

### REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

#### *TV Deal*

In July 2003 The FA successfully negotiated a new four-year domestic TV contract with the BBC and BskyB Limited for the broadcasting of FA Cup and England football matches. This contract commences in August 2004 at the completion of the existing contract.

#### *Financial facilities*

Since the end of the financial year the FA has renegotiated its funding. The £50 million short-term bank loan has been replaced by a £60 million committed money market loan repayable in March 2005.

#### *Appointment of Chief Executive*

A new Chief Executive, Mr M Palios, was appointed on 1 July 2003.

#### *Headcount reduction*

Since the year end the FA has reduced its overall employee headcount from 295 to 253.

#### *Wembley National Stadium*

Throughout the year work has been progressing on planning for the development of Wembley Stadium. The Football Association and Wembley National Stadium Limited worked closely with the Government, Sport England, The London Development Agency and Brent Council to create a revised business plan and funding position.

Considerable progress has been made during the year with funding being successfully achieved and demolition of the stadium starting on 30 September 2002. The project is progressing ahead of schedule and the directors are confident that the project will continue ahead of schedule.

While the design of the stadium is almost complete there is now considerable work to be done behind the scenes to ensure the New Wembley Stadium is the best stadium in the world. The directors of Wembley National Stadium Limited and The Football Association are fully committed to ensuring this is the case.

### 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 and the group as at the end of the financial year and of the profit or loss of the company and the group 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 group will continue in business.

**REPORT OF THE DIRECTORS (continued)**

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

**CORPORATE GOVERNANCE**

The Board has established independent Audit and Remuneration Committees with specific terms of reference that deal with their authorities and duties.

WNSL has its own separate audit committee and remuneration committee.

The Audit Committee comprises Board member R F Burden (Chairman) and two independent non Board members - A Newell and R Gossage. The Remuneration Committee comprises D B Dein, R F Burden and R W Kiddell. F D Pattison resigned on 2 November 2002 and R P Ridsdale resigned on 17 November 2002.

In discharging its duties the Remuneration Committee has taken independent advice.

**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	
M Palios	Chief Executive	appointed 1 July 2003
B W Bright	Kent County FA	
D J Henson	Devon County FA	
P S Hough	Dorset County FA	
R W Kiddell	FA Vice President	
R F Burden	Gloucester County FA	
P J Heard	The Football League, Colchester United FC	
J Elsom	The Football League, Leicester City FC	appointed 5 July 2002, resigned 17 December 2002
D G Richards	The FA Premier League	
D B Dein	The FA Premier League, Arsenal FC	
R Coar	The FA Premier League, Blackburn Rovers FC	appointed 27 August 2002
R Lowe	The FA Premier League, Southampton FC	appointed 29 November 2002
ACF Turvey	Divisional Representative, Hayes FC	appointed 5 December 2002
A A Crozier	Chief Executive	resigned 8 November 2002
K W Bates	The FA Premier League, Chelsea FC	resigned 5 July 2002
F D Pattison	Durham County FA	resigned 2 November 2002
R P Ridsdale	The FA Premier League, Leeds United FC	resigned 17 November 2002
E J Bowler	The Football League, Crewe Alexandra FC	resigned 13 May 2002

**CHARITABLE DONATIONS**

The group made charitable donations of £4,267,360 (2001: £14,048,000) during the year.

**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.

**REPORT OF THE DIRECTORS (continued)**

**AUDITORS**

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors

And signed on behalf of the Board



N I Coward

Company secretary

19 August 2003

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FOOTBALL ASSOCIATION LIMITED**

We have audited the financial statements of The Football Association Limited for the year ended 31 December 2002 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report 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 transactions with the company and other members of the group 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 United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 of the state of affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor  
London

20 August 2003

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2002**

	Note	2002 £'000	2001 £'000
<b>Turnover</b>	1, 2	184,428	117,661
Cost of sales		<u>(78,492)</u>	<u>(57,083)</u>
<b>Gross profit</b>		105,936	60,578
Operating expenses	3	<u>(96,381)</u>	<u>(64,089)</u>
<b>Operating profit/(loss)</b>	6	9,555	(3,511)
Interest payable and similar charges		(794)	-
Interest receivable and similar income	7	<u>3,150</u>	<u>4,946</u>
<b>Profit on ordinary activities before taxation</b>		11,911	1,435
Taxation	8	<u>(4,854)</u>	<u>(868)</u>
<b>Retained profit on ordinary activities after taxation for the financial year</b>	22	<u>7,057</u>	<u>567</u>

All the above activities relate to continuing operations.

There are no recognised gains or losses for the current or prior year other than those included in the profit and loss account and hence no statement of total recognised gains and losses has been presented.

**CONSOLIDATED BALANCE SHEET**  
**31 December 2002**

	Note	2002 £'000	2001 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	250	250
Tangible assets	10	161,600	98,431
Fixed asset investments	12	3,778	3,596
		<u>165,628</u>	<u>102,277</u>
<b>CURRENT ASSETS</b>			
Stocks	13	58	6,694
Debtors due within one year	14	17,971	7,691
Debtors due after one year	14	16,024	424
Cash at bank and in hand		85,213	101,212
		<u>119,266</u>	<u>116,021</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(151,671)</u>	<u>(110,980)</u>
<b>NET CURRENT (LIABILITIES)/ ASSETS</b>		<u>(32,405)</u>	<u>5,041</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		133,223	107,318
<b>CREDITORS: amounts falling due after more than one year</b>	16	(20,023)	(3,625)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	(13,823)	(11,185)
<b>DEFERRED GRANTS</b>	20	<u>(78,444)</u>	<u>(78,632)</u>
<b>NET ASSETS</b>		<u>20,933</u>	<u>13,876</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	-	-
Profit and loss account	22	20,933	13,876
<b>EQUITY SHAREHOLDERS' FUNDS</b>	22	<u>20,933</u>	<u>13,876</u>

These financial statements were approved by the Board of Directors on 19 August 2003.

Signed on behalf of the Board of Directors

  
 G Thompson, Chairman

  
 D G Richards

COMPANY BALANCE SHEET  
31 December 2002

	Note	2002 £'000	2001 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	3,156	3,607
Investment in subsidiaries	11	1	1
Fixed asset investments	12	3,778	3,596
		<u>6,935</u>	<u>7,204</u>
<b>CURRENT ASSETS</b>			
Stocks	13	58	39
Debtors due within one year	14	14,895	16,736
Debtors due after one year	14	117,008	424
Cash at bank and in hand		65,282	99,140
		<u>197,243</u>	<u>116,339</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(142,939)</u>	<u>(105,301)</u>
<b>NET CURRENT ASSETS</b>		<u>54,304</u>	<u>11,038</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		61,239	18,242
<b>CREDITORS: amounts falling due after more than one year</b>	16	<u>(20,023)</u>	<u>(3,625)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	<u>(13,431)</u>	<u>(4,351)</u>
<b>NET ASSETS</b>		<u>27,785</u>	<u>10,266</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	-	-
Profit and loss account	22	27,785	10,266
<b>EQUITY SHAREHOLDERS' FUNDS</b>	22	<u>27,785</u>	<u>10,266</u>

These financial statements were approved by the Board of Directors on 19 August 2003.

Signed on behalf of the Board of Directors

  
G. Thompson, Chairman

  
D G Richards

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 2002**

	Note	2002 £'000	2001 £'000
<b>Net cash inflow from operating activities</b>	23(a)	<u>6,215</u>	<u>55,311</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		3,459	4,500
Net dividends received		82	70
Loan arrangement and commitment fees		<u>(16,319)</u>	<u>-</u>
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		<u>(12,778)</u>	<u>4,570</u>
<b>Taxation</b>			
Corporation tax paid		<u>(464)</u>	<u>(1,064)</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire investment assets		(353)	(1,156)
Payments to acquire tangible fixed assets		(58,487)	(7,966)
New loan advances		(70)	(126)
Receipts from sales of investment assets		133	1,175
Receipts from sales of tangible fixed assets		<u>86</u>	<u>220</u>
<b>Net cash outflow from investing activities</b>		<u>(58,691)</u>	<u>(7,853)</u>
<b>Net cash (outflow)/inflow before use of liquid resources and financing</b>		<u>(65,718)</u>	<u>50,964</u>
<b>Management of liquid resources</b>			
Decrease/(increase) in treasury deposits		<u>98,324</u>	<u>(55,604)</u>
<b>Net cash inflow/(outflow) from management of liquid resources</b>		<u>98,324</u>	<u>(55,604)</u>
<b>Financing</b>			
Loan repayments		118	106
Bank loan received		<u>50,000</u>	<u>-</u>
<b>Net cash inflow from financing</b>		<u>50,118</u>	<u>106</u>
<b>Increase/(decrease) in cash</b>	23(c)	<u>82,724</u>	<u>(4,534)</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below.

**Basis of accounting**

The financial statements are prepared under the historical cost basis.

**Basis of consolidation**

The group accounts consolidate the results of The Football Association Limited 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 Football Association Limited, as permitted by Section 230 of the Companies Act 1985.

**Turnover**

Turnover comprises the value of sales (net of VAT, similar taxes and trade discounts) of goods and services in the normal course of business. Revenue derived from television contracts is recognised as turnover in proportion to the weighted values of the matches covered during the year under such contracts.

**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.

**Pension costs**

The expected costs of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes operated within the group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

**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.

**Grants and deferred income**

Grants 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 assets concerned.

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

**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.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002****1. ACCOUNTING POLICIES (continued)****Borrowing costs**

The arrangement fees for committed funding have been capitalised on the balance sheet and will be set against the balance of the related finance once drawn down. The interest cost of funding is written off to the profit and loss account.

**Intangible assets**

Intangible assets are not amortised on the grounds of their expected durability. An impairment review is performed annually.

**Tangible fixed assets**

No depreciation is charged on land.

The land at Wembley Stadium is included in the accounts at the directors' opinion of the apportioned cost arising from the purchase of land and buildings from Wembley plc.

Tangible fixed assets are stated at cost less depreciation. 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	- Over the life of the lease when remaining term is less than 50 years
Short leasehold property	- Over the life of the lease
Plant and machinery	- Between 3 – 6 years
Motor vehicles	- 4 years
Fixtures, fittings and equipment	- Between 3 – 10 years

Assets in the course of construction relate to costs associated with the construction of the new Wembley stadium. They will be depreciated over their estimated useful lives on completion.

**Stocks and work in progress**

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.

**Foreign currency**

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of 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.

**Reclassifications**

Certain adjustments have been made to the consolidated and company balance sheet figures as at 31 December 2001. These adjustments have no effect on the net assets of either the group or the company as at 31 December 2001.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002****2. SEGMENTAL INFORMATION**

Turnover, operating profit/(loss) and net assets by class of business were as follows. All activities arose in the United Kingdom.

	<b>Promotion of Association Football</b>		<b>Stadium and event management</b>		<b>Group</b>	
	<b>2002 £'000</b>	<b>2001 £'000</b>	<b>2002 £'000</b>	<b>2001 £'000</b>	<b>2002 £'000</b>	<b>2001 £'000</b>
Turnover	<u>181,246</u>	<u>112,246</u>	<u>3,182</u>	<u>5,415</u>	<u>184,428</u>	<u>117,661</u>
Operating profit/(loss)	20,029	(4,239)	(10,474)	728	9,555	(3,511)
Interest receivable	2,915	4,766	235	180	3,150	4,946
Interest payable	(136)	-	(658)	-	(794)	-
Profit before tax	<u>22,808</u>	<u>527</u>	<u>(10,897)</u>	<u>908</u>	<u>11,911</u>	<u>1,435</u>
Net assets	<u>25,082</u>	<u>9,878</u>	<u>(5,674)</u>	<u>3,998</u>	<u>20,933</u>	<u>13,876</u>

**3. OPERATING EXPENSES**

	<b>2002 £'000</b>	<b>2001 £'000</b>
Amounts payable to The Football Foundation and The Football Stadium Improvement Fund	11,000	10,000
Amounts payable to The Football League	4,825	2,456
County FA distributions	14,125	3,711
Professional Footballers Association	2,300	2,300
FA Prize fund, pool & TV distribution	29,449	11,117
Other distributions	488	640
Other operating expenses and grants payable	<u>34,382</u>	<u>34,231</u>
	96,569	64,455
Less : Grants released to profit and loss account	<u>(188)</u>	<u>(366)</u>
Total operating expenses (administrative)	<u>96,381</u>	<u>64,089</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002****4. DIRECTORS' EMOLUMENTS**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Directors' emoluments	1,255	659
Directors' benefits in kind	14	35
Directors' pension payments	16	18
	<u>1,285</u>	<u>712</u>
	<b>No.</b>	<b>No.</b>
The number of directors to whom retirement benefits are accruing in respect of qualifying services in respect of defined benefit schemes	<u>1</u>	<u>1</u>
	<b>£'000</b>	<b>£'000</b>
<b>Details of highest paid director</b>		
Total emoluments and benefits in kind	408	567
Compensation for loss of office	750	-
	<u>1,158</u>	<u>567</u>
	<b>£'000</b>	<b>£'000</b>
The amount of the highest paid director's accrued pension in respect of the company's defined benefit pension scheme is an annual amount on retirement of:	<u>5</u>	<u>46</u>

**5. EMPLOYEE INFORMATION**

	<b>2002</b>	<b>2001</b>
	<b>No.</b>	<b>No.</b>
Average monthly number of persons employed by the group during the year:		
Promotion of Association Football	273	218
Stadium and event management	22	26
	<u>295</u>	<u>244</u>
	<b>£'000</b>	<b>£'000</b>
Their aggregate remuneration comprised:		
Wages and salaries	19,254	15,639
Social security costs	1,819	1,492
Other pension costs	1,795	1,871
	<u>22,868</u>	<u>19,002</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002****5. EMPLOYEE INFORMATION (continued)****Pension commitments**

The group provides pension arrangements to the majority of full time employees through a defined benefit scheme and the related costs are assessed in accordance with the advice of professionally qualified actuaries.

The most recent full actuarial valuation of the scheme was conducted on 1 January 2000. This valuation was updated to 31 December 2002. The pensions cost for the year of the company's defined benefit scheme was £1,674,506 (2001: £1,714,689). In addition the group contributed £120,553 (2001: £156,311) to personal pension plans of other employees.

The group currently accounts for pensions under SSAP 24. Under the transitional arrangements for FRS17, the group is required to provide additional disclosures relating to its pension scheme. These are provided below.

**SSAP 24**

A valuation was carried out by a qualified independent actuary at 1 January 2000 using the Attained Age method. Following the valuation it was agreed that the employer would pay contributions at the rate of 19.5% of pensionable salaries.

**FRS 17**

The figures below have been based on full actuarial valuation as at 1 January 2000, updated to 31 December 2002.

The liabilities of the scheme at 31 December 2002 were calculated on the following bases as required under FRS17:

<b>Assumptions at 31 December 2002</b> (Expected long-term rates of return)	<b>2002</b> <b>% p a</b>	<b>2001</b> <b>% p a</b>
Discount rate	5½	6
Expected return on equity	6½	7
Expected return on bonds	4¾	5¾
Expected return on cash	4	4
Rate of increase in pensionable salaries	4	4¼
Rate of increase of pensions in payment	3½	3¾
Inflation assumption	2½	2¾

The balance sheet position for the group's scheme as calculated under FRS 17 at 31 December 2002 and 2001 was as follows:

	<b>Value at</b> <b>31 December 2002</b> <b>£'000</b>	<b>Value at</b> <b>31 December 2001</b> <b>£'000</b>
Fair value of assets	<u>17,453</u>	<u>18,520</u>
Broken down as :		
- Equity investments	11,035	12,817
- Bond investments	5,222	3,929
- Cash	1,196	1,774
Present value of scheme liabilities	<u>(22,169)</u>	<u>(18,453)</u>
(Deficit)/surplus in the scheme	<u>(4,716)</u>	<u>67</u>

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 5. EMPLOYEE INFORMATION (continued)

## Pension commitments (continued)

Had the company adopted FRS 17 early, net assets and profit and loss reserves would have been stated as follows:

	2002 £'000	2001 £'000
<b>Net assets</b>		
Net assets excluding pension liability	19,574	13,876
Pension (liability)/assets	(3,301)	47
	<u>16,273</u>	<u>13,923</u>
<b>Profit and loss reserve</b>		
Profit and loss reserve excluding pension reserve	19,574	13,876
Pension reserve	(3,301)	47
	<u>16,273</u>	<u>13,923</u>
Profit and loss reserve including pension reserve		

The following amounts would have been recognised in the performance statements in the year to 31 December 2002 under the requirements of FRS 17:

	2002 £'000
<b>Operating profit</b>	
Current service cost	1,601
Past service cost	58
	<u>1,659</u>
<b>Other finance costs</b>	
Expected return on scheme assets	1,238
Interest on scheme liabilities	(1,157)
	<u>81</u>
<b>Net finance return</b>	
	<u>81</u>
<b>Statement of total recognised gains and losses</b>	
Actual return less expected return on scheme assets	(3,949)
Experience gains arising on scheme liabilities	233
Effects of changes in assumptions underlying the present value of scheme liabilities	(1,225)
	<u>(4,941)</u>
<b>Actuarial loss recognised</b>	

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002****5. EMPLOYEE INFORMATION (continued)****Pension commitments (continued)**

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

	<b>2002</b> <b>£'000</b>
Surplus in scheme at beginning of year	67
Current service cost	(1,601)
Contributions	1,736
Past service cost	(58)
Other finance income	81
Actuarial loss	(4,941)
	<u>(4,716)</u>
Deficit in scheme at the end of the year	<u>(4,716)</u>

From 1 January 2003 new employees will not be able to enter the Defined Benefit Pension Scheme. They will instead join a new Money Purchase Pension Scheme.

**6. OPERATING PROFIT/(LOSS)**

The operating profit/(loss) is after charging/(crediting):

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
Depreciation – owned assets	1,847	1,864
Loss on sale of fixed assets	40	164
Auditor's remuneration		
- Group audit fees	85	78
- Company audit fees	50	53
- Other services (see note (a) below)	798	548
Hire of plant and machinery under operating leases	-	88
Other operating lease rentals	2,877	2,567
Grant income	(188)	(366)
Exceptional operating costs (see note (b) below)	13,800	-
Exceptional income (see note (c) below)	(2,300)	-
	<u>(2,300)</u>	<u>-</u>

(a) The majority of auditor's remuneration for other services consists of taxation advice.

(b) In the year ended 31 December 2002, operating costs includes exceptional costs of approximately £13.8 million in relation to the settlement of certain commercial matters with and services from third party service providers.

(c) This exceptional income relates to a release of a provision on settlement of the claim.

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
Income from fixed asset investments listed in the UK	82	70
Interest receivable	3,106	4,311
(Loss)/profit on sale of fixed asset investments	(38)	565
	<u>3,150</u>	<u>4,946</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002****8. TAXATION**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax at 30% (2001: 30%)	(4,727)	(1,129)
Double tax relief	70	-
Foreign tax	(101)	-
Adjustment in respect of prior year	155	95
	<u>(4,603)</u>	<u>(1,034)</u>
Deferred taxation	(251)	166
	<u>(4,854)</u>	<u>(868)</u>

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK - 30% (last period: 30%).

The differences are explained below:

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	11,911	1,435
Tax at 30% thereon:	(3,574)	(431)
Effects of:		
Expenses not deductible for tax purposes	(1,262)	(1,169)
Capital allowances in excess of depreciation	288	32
Movement in short term timing differences	(278)	154
Non-taxable income	24	21
Loss on disposal of fixed assets in excess of chargeable gains	19	131
Unrelieved foreign taxes	(31)	-
Grant release	56	133
Prior year adjustments	155	95
	<u>(4,603)</u>	<u>(1,034)</u>

**9. INTANGIBLE FIXED ASSETS**

	<b>Intellectual property £'000</b>
Cost and net book value	
At 1 January 2002 and 31 December 2002	<u>250</u>

Intangible assets represent the cost attributed to intellectual property on the acquisition of Wembley Stadium. This intangible asset is not subject to an annual amortisation charge on the grounds of its expected durability.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**10. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Land and buildings £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Leasehold improvements £'000</b>	<b>Plant and machinery £'000</b>	<b>Motor vehicles £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<b>Cost:</b>							
At 1 January 2002	102,224	27,483	2,521	500	35	3,679	136,442
Transfer from stock	-	6,655	-	-	-	-	6,655
Additions	-	57,189	40	-	-	1,258	58,487
Disposals	(32,224)	-	-	(500)	(8)	(17)	(32,749)
<b>At 31 December 2002</b>	<b>70,000</b>	<b>91,327</b>	<b>2,561</b>	<b>-</b>	<b>27</b>	<b>4,920</b>	<b>168,835</b>
<b>Accumulated depreciation:</b>							
At 1 January 2002	35,224	-	583	301	19	1,884	38,011
Charge for the year	-	-	512	75	7	1,253	1,847
Disposals	(32,224)	-	-	(376)	(6)	(17)	(32,623)
<b>At 31 December 2002</b>	<b>3,000</b>	<b>-</b>	<b>1,095</b>	<b>-</b>	<b>20</b>	<b>3,120</b>	<b>7,235</b>
<b>Net book value</b>							
At 31 December 2002	67,000	91,327	1,466	-	7	1,800	161,600
At 31 December 2001	67,000	27,483	1,938	199	16	1,795	98,431

**Group**

Land is included in the accounts within the cost of freehold land and buildings at the directors' opinion of the apportioned cost of £64.5 million arising from the purchase of land and buildings from Wembley plc.

Also included in land and buildings are leasehold property costs. These comprise a long leasehold interest cost of £2.5 million, which has not been depreciated, and a short leasehold interest of £3 million, which has been fully depreciated.

**Company**

	<b>Leasehold improvements £'000</b>	<b>Motor vehicles £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<b>Cost:</b>				
At 1 January 2002	2,521	27	3,277	5,825
Additions	40	-	1,230	1,270
Disposals	-	-	(17)	(17)
<b>At 31 December 2002</b>	<b>2,561</b>	<b>27</b>	<b>4,490</b>	<b>7,078</b>
<b>Accumulated depreciation:</b>				
At 1 January 2002	583	14	1,621	2,218
Charge for the year	512	7	1,202	1,721
Disposals	-	-	(17)	(17)
<b>At 31 December 2002</b>	<b>1,095</b>	<b>21</b>	<b>2,806</b>	<b>3,922</b>
<b>Net book value</b>				
At 31 December 2002	1,466	6	1,684	3,156
At 31 December 2001	1,938	13	1,656	3,607

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 11. 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 company
Wembley National Stadium Limited ("WNSL")	Event management and stadium construction
National Football Centre Limited (formerly known as England Football Enterprises Limited)	Property development and operating company
FA Learning Limited	Dormant company

## 12. FIXED ASSET INVESTMENTS

## Listed investments

	Group and Company	
	2002	2001
	£'000	£'000
<b>Government stocks, at cost</b>		
£570,000 6.75% Treasury Loan 2004	612	612
£275,000 2% Treasury Loan 2006	664	664
	<u>1,276</u>	<u>1,276</u>
<b>Equity investments, at cost</b>	2,502	2,320
	<u>2,502</u>	<u>2,320</u>
<b>Total investments</b>	<u>3,778</u>	<u>3,596</u>

The market value of these investments at 31 December 2002 was £4,025,096 (2001: £4,806,715).

## 13. STOCK

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Properties under development	-	6,655	-	-
Finished goods	58	39	58	39
	<u>58</u>	<u>6,694</u>	<u>58</u>	<u>39</u>

The properties under development balance at 31 December 2001 comprised certain costs incurred by National Football Centre Limited. As at 31 December 2002, these costs have been reclassified to tangible fixed assets (as assets in the course of construction in note 10).

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 14. DEBTORS

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
<b>Amount falling due within one year</b>				
Trade debtors	10,951	2,365	10,506	2,290
VAT receivable	866	522	-	-
UK corporation tax receivable	396	-	-	-
Other debtors	1,833	622	535	152
Prepayments and accrued income	3,925	4,182	3,854	4,118
Loans to subsidiary undertakings	-	-	-	10,176
	<u>17,971</u>	<u>7,691</u>	<u>14,895</u>	<u>16,736</u>
<b>Amount falling due after one year</b>				
Loans to clubs	346	392	346	392
Sundry loans	18	32	18	32
Loans to subsidiary companies	-	-	116,644	-
Loan arrangement fees	15,660	-	-	-
	<u>16,024</u>	<u>424</u>	<u>117,008</u>	<u>424</u>
<b>Total debtors</b>	<u>33,995</u>	<u>8,115</u>	<u>131,903</u>	<u>17,160</u>

A loan of £100,293,426 to WNSL, included in loans to subsidiary companies above, is repayable only after certain obligations under the financing arrangements have been discharged.

Additional subordinated debt has been made available from the company to WNSL in 2003. On an ongoing basis at least £100 million 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 otherwise.

The loan arrangement fees were paid on the agreement of the committed funding described in note 17.

## 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loans and overdraft	35,716	1,115	35,716	1,115
Trade creditors	7,997	8,436	7,622	5,848
Other creditors				
- UK corporation tax payable	5,361	955	5,359	644
- Social security and other taxes	2,917	2,829	2,817	2,792
- Other	1,315	3,801	1,175	1,809
Accruals and deferred income	98,365	93,844	90,250	93,093
	<u>151,671</u>	<u>110,980</u>	<u>142,939</u>	<u>105,301</u>

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loan	15,000	-	15,000	-
Accruals and deferred income	5,023	3,625	5,023	3,625
	<u>20,023</u>	<u>3,625</u>	<u>20,023</u>	<u>3,625</u>

## 17. FINANCIAL INSTRUMENTS

The group has a policy to hedge significant interest rate risk. WNSL has entered into an interest rate swap for 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.

At 31 December 2002, WNSL has undrawn committed borrowings of £426.4 million under the Senior Loan facility and £6.75 million under the Subordinated Senior Loan facility. These facilities expire as follows:

	2002	2001
	£'000	£'000
In more than two years	<u>433,150</u>	<u>-</u>

The FA have paid £53.7 million to WNSL since the year end. Therefore, at 13 August 2003, WNSL also has a remaining £0.7 million of committed funds from its parent, The FA, £20.0 million from the Department of Culture Media and Sport ("DCMS") and £21.0 million from the London Development Authority ("LDA").

The group also had at the year end current loan amounts outstanding as follows:

Amounts repayable	2002	2001
	£'000	£'000
Within one year	35,000	-
Between one and two years	<u>15,000</u>	<u>-</u>

This loan is repayable by April 2004, and until then attracts interest at 1.625% above LIBOR.

Since the balance sheet date the Company has renegotiated its funding. The £50 million short-term bank loan has been replaced by a revolving credit facility of up to £60 million in the period to 31 March 2005.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002****18. PROVISIONS FOR LIABILITIES AND CHARGES**

<b>Group</b>	<b>Wembley £'000</b>	<b>Deferred tax (see note 19) £'000</b>	<b>Football development support £'000</b>	<b>Commercial &amp; Other £'000</b>	<b>Total £'000</b>
At 1 January 2002	7,000	(166)	-	4,351	11,185
Utilised in the year	(7,000)	-	-	(1,423)	(8,423)
Released in the year	-	-	-	(2,300)	(2,300)
Charged in the year	-	251	8,300	4,810	13,361
At 31 December 2002	-	85	8,300	5,438	13,823

<b>Company</b>	<b>Deferred tax (see note 19) £'000</b>	<b>Football development support £'000</b>	<b>Commercial &amp; Other £'000</b>	<b>Total £'000</b>
At 1 January 2002	-	-	4,351	4,351
Utilised in the year	-	-	(1,423)	(1,423)
Released in the year	-	-	(2,300)	(2,300)
Charged in the year	(307)	8,300	4,810	12,803
At 31 December 2002	(307)	8,300	5,438	13,431

**Wembley provision**

This provision related to the estimated costs of settling obligations in respect of certain contracts with suppliers, which were terminated on the closure of the Wembley Stadium for redevelopment purposes.

**Football development support provision**

Provision for commitments by The Football Association towards certain development projects in the English game during the period 2003 to 2006.

**Other provisions**

Provisions by the Football Association in relation to the settlement of commercial matters and arising in the normal course of business of The Football Association, which are expected to be utilised during the period to 31 December 2004.

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 19. DEFERRED TAX

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
This comprises fully provided deferred taxation attributable to:				
Capital allowances	178	-	212	-
Other timing differences	(93)	(166)	95	-
Deferred tax liability/(asset)	<u>85</u>	<u>(166)</u>	<u>307</u>	<u>-</u>

The amount of unprovided deferred tax in the financial statements:

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
This comprises fully provided deferred taxation attributable to:				
Rollover relief on disposal of property	292	292	292	292
Excess of tax allowances over book depreciation of fixed assets	-	(88)	-	(29)
Other timing differences	(363)	(29)	-	(30)
Unprovided deferred tax (asset)/liability	<u>(71)</u>	<u>175</u>	<u>292</u>	<u>233</u>

**Group**

Deferred tax has not been provided in respect of gains realised that are expected to be rolled over into the acquisition cost of replacement assets. This tax will become payable if the suitable replacement assets are not acquired by 22 November 2003 or if those replacement assets are sold and further rollover relief is not obtained. The deferred tax asset relating to other timing differences has not been provided for on the basis that there is insufficient certainty that suitable profits, for tax purposes, will be available in the future.

**Company**

There is also an unrecognised deferred tax liability of £292,000 (2001: £233,000). The unrecognised deferred tax liability for the current year relates to rollover relief on the disposal of property. This liability has not been provided, for the same reasons as at group level.

**NOTES TO THE ACCOUNTS****Year ended 31 December 2002****20. DEFERRED GRANTS**

Deferred grants relates to grants received from Sport England under the terms of agreements dated 11 November 1997 and 15 May 1998.

Movement on deferred grants is detailed below:

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	78,632	78,998
Grants released to profit and loss account	(188)	(366)
At end of year	<u>78,444</u>	<u>78,632</u>

**21. CALLED UP SHARE CAPITAL**

The company has an authorised share capital of £101 (2001: £101) represented by 2,000 (2001: 2000) ordinary equity shares of 5p each and one Special Rights Preference share of £1 (2001: £1).

At 31 December 2002, 1,614 ordinary shares (2001: 1,614) had been issued and allotted but nil paid.

**22. MOVEMENTS ON RESERVES**

	<b>Profit and loss account</b>	<b>Equity shareholders' funds</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2002	13,876	13,876
Retained profit for the year	7,057	7,057
At 31 December 2002	<u>20,933</u>	<u>20,933</u>
<b>Company</b>		
At 1 January 2002	10,266	10,266
Retained profit for the year	17,519	17,519
At 31 December 2002	<u>27,785</u>	<u>27,785</u>

No profit and loss account is presented for the company as permitted by s230 of the Companies Act 1985.

# NOTES TO THE ACCOUNTS

## Year ended 31 December 2002

### 23. NOTES TO THE CASH FLOW STATEMENT

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

	2002 £'000	2001 £'000
Operating profit/(loss)	9,555	(3,511)
Depreciation charges	1,847	1,864
Increase in stocks	(19)	(6,524)
(Increase)/ decrease in debtors	(10,211)	16,160
Increase in creditors	2,805	43,923
Increase in provisions	2,386	3,601
Release of grant income	(188)	(366)
Loss on disposal of tangible fixed assets	40	164
Net cash inflow from operating activities	6,215	55,311

#### (b) Analysis of net funds

	At 1 January 2002 £'000	Cash flow £'000	At 31 December 2002 £'000
Cash at bank and in hand	2,888	82,325	85,213
Bank overdraft	(1,115)	399	(716)
Subtotal	1,773	82,724	84,497
Short term investments – treasury deposits	98,324	(98,324)	-
<b>NET FUNDS</b>	<b>100,097</b>	<b>(15,600)</b>	<b>84,497</b>

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

	2002 £'000	2001 £'000
Increase in cash in the year	82,724	(4,534)
Cash outflow from increase in liquid resources	(98,324)	55,604
Net funds brought forward after reclassification	100,097	49,027
Net funds carried forward	84,497	100,097

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 24. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

## (a) Capital commitments

**Contract for Wembley 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 the company agreed funding with West LB, CSFB, DCMS, the LDA and The FA. Details of this committed funding are given in note 17.

**National Football Centre**

On 22 January 2003 The Football Association provided Shepherd Construction Limited with a Parent Company Guarantee of £8 million in respect of the contract for the above project.

## (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		2001	
	2002			
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
- within one year	68	55	34	152
- between two and five years	-	167	-	103
- after five years	2,150	-	2,150	-
	<u>2,218</u>	<u>222</u>	<u>2,184</u>	<u>255</u>

	Company		2001	
	2002			
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
- within one year	68	55	34	152
- between two and five years	-	159	-	85
- after five years	2,150	-	2,150	-
	<u>2,218</u>	<u>214</u>	<u>2,184</u>	<u>237</u>

## 25. RELATED PARTY TRANSACTIONS

By the company's nature, and in accordance with its rules, The Football Association 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, other competitions and football clubs, of which certain members of the Board are directors.

There are no transactions requiring disclosure under the requirements of FRS8 Related Party Disclosures.