Company Registration No. 00077797

The Football Association Limited

Report and Financial Statements

31 December 2003

Deloitte & Touche LLP
London

Report and financial statements 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activity of The Football Association Limited ("The FA") is to promote the game of Association Football ("the game").

The principal activities of the Group are that of The FA 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") is to manage the development and operation of football related facilities. The principal activity of FA Learning Limited ("FAL") is the organisation and delivery of The FA's educational activities, principally in the fields of coaching, refereeing, medical and exercise science and child protection. It began operating on 1 January 2003.

Business Review

Highlights

The year ended 31 December 2003 was a challenging year for The FA but one that finished well. During the year, the financial highlights included:

- Fulfilling The FA's financial commitments to its subsidiary WNSL enabling it to commence drawdown of Bank funding
- Achieving highest ever Group turnover (£186m) in the second full financial year of our existing domestic TV deal
- Paying more cash distributions to the game than any previous year
- Repaying The FA's term loans, switching for a flexible overdraft facility
- Settling some major commercial disputes, arising in prior years
- Finishing the year with significant cash balances, without having to utilise The FA's overdraft facility

Looking forward, The FA have:

- Secured a new 4 year domestic TV deal with the BBC and BSkyB for the broadcasting of The FA Cup, England and other football matches (commencing August 2004)

Directors' report

Financial performance

There has been a relatively small increase in the Group's turnover in 2003 compared to the prior year. Whilst turnover is down in respect of World Cup monies, this has been offset by increased gate receipt income for England internationals and a contractual increase in overseas TV rights.

The FA have again made significant distributions to the game. Our core distributions are paid via direct grants and donations, in particular to the Football Foundation and Football Stadium Improvement Fund (see note 3 to the accounts for further details). The FA have also made substantial FA Cup Prize fund payments and TV payments to clubs that take part in FA competitions.

Other costs of the business are substantially down, principally as a result of the World Cup costs incurred in 2002, and a number of specific cost saving initiatives in the year.

Exceptional items which arose in 2002 have been resolved during 2003. The exceptional expense in 2003 (see note 6 to the accounts) relates principally to the impairment of the tangible fixed assets in relation to the NFC (discussed further below).

Directors' report

Other developments and future prospects

TV Deals

In July 2003, The FA successfully finalised a new four-year domestic TV contract with the BBC and BSkyB for the broadcasting of The FA Cup and England matches, giving stability for the major component of our revenue. This contract commences in August 2004.

We are currently finalising our overseas TV contracts for the same period and the same properties, which will add further certainty to our future revenues.

Financial Facilities

In 2003, The FA stabilised its financial position including meeting our financial commitments to WNSL and repaying our existing term facilities, replacing these with a committed overdraft facility, which remained unutilised throughout the year.

NFC

During Quarter 4 of 2003 we determined that it was appropriate to reconsider the strategy underpinning the NFC, the scope of activities to be offered and therefore the appropriate provision of facilities on site, which we will do during the course of 2004. In light of this uncertainty we felt it appropriate to consider the carrying value of these assets. This leads us to report an impairment in value under Financial reporting standard 11 'Impairment of Fixed Assets and Goodwill' of these assets, writing these down to a net realisable value of £4.25m.

WNSL

WNSL enjoyed a good year in 2003. Following the final injection of funds from The FA ("the Company") taking our total injection to £151m, the Bank funding has now come on stream, with £67m drawn as of 31 December 2003.

During the past 12 months, considerable progress has been made with the construction of the new Stadium. Just over one third of the total approved budget has now been spent, totalling £205m. Multiplex has managed the site well and has finished the year ahead of schedule. The next construction milestone is the lifting of the 1,700-ton iconic arch. WNSL's directors are confident that the Stadium will be completed on time, with the first significant event scheduled for early 2006.

WNSL achieved another key project milestone in 2003, with the launch of the Premium Seats in May. Sales finished ahead of bank targets, particularly in respect of boxes, where 150 of the 151 boxes on sale had been reserved. In total, 24% of combined box and Premium Seats inventory had been reserved by the year-end with over 15% contracted.

Results and dividends

The Group profit for the year, after taxation, was £55,000 (2002: profit of £7,713,000). The directors do not recommend payment of a dividend (2002: £nil).

The Group's profit before tax, exceptional items and distributions was £72,842,000 (2002: £56,805,000). The distributions are analysed in note 3 to the accounts, and the exceptional items are described in note 6 to the accounts.

Directors' report (continued)

Corporate governance

Going concern
The directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future, and for this reason the financial statements continue to be prepared on the going concern basis.

Directors of the Company

The Board 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 representative directors are subject to re-election at least every three years.

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

Audit committee and Remuneration committee

The Board has established independent Audit and Remuneration Committees 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.

The Committee considers matters relating to the financial accounting controls, the reporting of results and the effectiveness and cost of the audit. It meets at least twice a year with the Group's auditors.

The Remuneration Committee comprises D B Dein, R F Burden and R W Kiddell. In discharging its duties the Remuneration Committee has taken independent advice.

Wembley National Stadium Limited

WNSL has its own Corporate Governance and Audit Committee which is chaired by David Ross. It comprises two further non-executive directors, being Michael Jeffries and Clive Sherling, together with the Chief Executive, Michael Cunnah and the Director of Finance, Roger Maslin. The duties of the Corporate Governance and Audit Committee are set out in the accounts of WNSL.

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 and the Group as at the end of the financial year and of the profit or loss of 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 Company 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 the system of internal control, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

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	
R F Burden	Gloucestershire County FA	
R Coar	The FA Premier League, Blackburn Rovers FC	
D B Dein	The FA Premier League, Arsenal FC	
P J Heard	The Football League, Colchester United FC	
D J Henson	Devon County FA	
P S Hough	Dorset County FA	
R W Kiddell	FA Vice President	
R Lowe	The FA Premier League, Southampton FC	
D G Richards	The FA Premier League	
D Sheepshanks	The Football League, Ipswich Town FC	appointed 16 January 2003
ACF Turvey	Divisional Representative, Hayes FC	

Charitable donations

The Group made charitable donations of £25,312,000 (2002: £4,267,000) during the year. This represents a substantial increase on 2002 and is mainly due to a donation to The Football Foundation of £19,000,000 (2002: nil). The donations paid can be summarised into two main headings:

	2003 £'000	2002 £'000
Donations generated from The Community Shield	992	875
Donations to football charities	24,300	3,300
Other donations	20	92
Total charitable donations	25,312	4,267

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 Annual General Meeting.

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

N I Coward

Company secretary

21 April 2004

Independent Auditors' 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 2003 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and the related notes 1 to 26. 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of 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 Company's and the Group's circumstances, 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 the Company's and the Group's affairs as at 31 December 2003 and of its profit 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 Auditors
London
21 April 2004

Consolidated Profit and loss account
For the year ended 31 December 2003

	Note	2003 £'000	Restated (Note 26) 2002 £'000
Turnover	1, 2	186,051	184,428
Cost of sales		(67,032)	(78,492)
Gross profit		119,019	105,936
Operating expenses	3	(109,790)	(96,381)
Operating profit	6	9,229	9,555
Interest payable and similar charges	7	(1,962)	(138)
Interest receivable and similar income	8	1,648	3,150
Profit on ordinary activities before taxation		8,915	12,567
Taxation	9	(8,860)	(4,854)
Retained profit on ordinary activities after taxation for the financial year	22	55	7,713

All the above results are derived from continuing operations

Consolidated statement of total recognised gains and losses

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Profit for the financial year		55	7,713
Prior year adjustment	26	656	
Total gains and losses since last annual report		711	

Consolidated balance sheet
31 December 2003

	Note	2003 £'000	Restated (note 26) 2002 £'000
FIXED ASSETS			
Intangible assets	10	250	250
Tangible assets	11	275,724	162,256
Fixed asset investments	13	-	3,778
		275,974	166,284
CURRENT ASSETS			
Stocks	14	117	58
Debtors due within one year	15	6,706	17,971
Debtors due after one year	15	370	16,024
Cash at bank and in hand		38,246	85,213
		45,439	119,266
CREDITORS: amounts falling due *within one year*	16	(133,534)	(151,671)
NET CURRENT LIABILITIES		(88,095)	(32,405)
TOTAL ASSETS LESS CURRENT LIABILITIES		187,879	133,879
CREDITORS: amounts falling due after more than one year	17	(149,187)	(98,467)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(17,048)	(13,823)
NET ASSETS		21,644	21,589
CAPITAL AND RESERVES			
Called up share capital	21	-	-
Profit and loss account	22	21,644	21,589
EQUITY SHAREHOLDERS' FUNDS	22	21,644	21,589

These financial statements were approved by the Board of Directors on 21 April 2004.

Signed on behalf of the Board of Directors

G Thompson, ~~Chairman~~

M Palios, Director

Company balance sheet
31 December 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	11	2,044	3,156
Investment in subsidiaries	12	1	1
Fixed asset investments	13	-	3,778
		2,045	6,935
CURRENT ASSETS			
Stocks	14	117	58
Debtors due within one year	15	9,314	14,895
Debtors due after one year	15	153,186	117,008
Cash at bank and in hand		29,534	65,282
		192,151	197,243
CREDITORS: amounts falling due within one year	16	(123,378)	(142,939)
NET CURRENT ASSETS		68,773	54,304
TOTAL ASSETS LESS CURRENT LIABILITIES		70,818	61,239
CREDITORS: amounts falling due after more than one year	17	(18,825)	(20,023)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(11,137)	(13,431)
NET ASSETS		40,856	27,785
CAPITAL AND RESERVES			
Called up share capital	21	-	-
Profit and loss account	22	40,856	27,785
EQUITY SHAREHOLDERS' FUNDS	22	40,856	27,785

These financial statements were approved by the Board of Directors on 21 April 2004.

Signed on behalf of the Board of Directors

G Thompson, Chairman

M Palios, Director

Consolidated cash flow statement
Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	23(a)	85,208	6,215
Returns on investments and servicing of finance			
Interest (paid) / received		(1,138)	3,459
Net dividends received		26	82
Loan arrangement and commitment fees		(2,556)	(16,319)
Net cash outflow from returns on investments and servicing of finance		(3,668)	(12,778)
Taxation			
Corporation tax paid		(5,146)	(464)
Capital expenditure and financial investment			
Payments to acquire investment assets		-	(353)
Payments to acquire tangible fixed assets		(128,400)	(58,487)
New loan advances		(58)	(70)
Receipts from sales of investment assets		3,777	133
Receipts from sales of tangible fixed assets		-	86
Net cash outflow from capital expenditure and financial investment		(124,681)	(58,691)
Net cash outflow before use of liquid resources and financing		(48,287)	(65,718)
Management of liquid resources			
Decrease in treasury deposits		-	98,324
Net cash inflow from management of liquid resources		-	98,324
Financing			
Loan repayments		(49,882)	118
Bank loan received		51,918	50,000
Net cash inflow from financing		2,036	50,118
(Decrease) / increase in cash	23(c)	(46,251)	82,724

Notes to the accounts
Year ended 31 December 2003

1. **Accounting policies**

The principle accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year with the exception of the policy for capitalisation of interest which is explained in Note 26.

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 except as set out below in respect of intangible fixed assets.

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 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.

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 it had not been exchanged, the goods and services would have been sold for cash in a similar transaction.

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

Defined Benefit Scheme

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.

Defined Contribution Scheme

Under the defined contribution scheme, 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 the contributions payable during the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to the accounts
Year ended 31 December 2003

1. Accounting policies (continued)

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 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 assets life.

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.

Intangible assets

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

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

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.

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

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

Notes to the accounts
Year ended 31 December 2003

1. Accounting policies (continued)

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.

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 directly attributable to construction are capitalised as assets in the course of construction (see Note 26).

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.

Notes to the accounts
Year ended 31 December 2003

2. Segmental information

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

	Promotion of Association Football		Stadium and event management		Group	
				Restated (note 26)		Restated (note 26)
	2003 £'000	2002 £'000	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Turnover	183,262	181,246	2,789	3,182	186,051	184,428
Operating profit/(loss)	17,114	20,029	(7,885)	(10,474)	9,229	9,555
Interest payable	(1,515)	(138)	(447)	-	(1,962)	(138)
Interest receivable	1,264	2,915	384	235	1,648	3,150
Profit / (loss) before tax	16,863	22,806	(7,948)	(10,239)	8,915	12,567
Net assets / (liabilities)	44,833	26,607	(23,189)	(5,018)	21,644	21,589

Barter transactions

The amount of barter transactions for goods and other services recognised in turnover is £0.9m (2002: £0.8m).

3. Operating expenses

	2003 £'000	2002 £'000
Amounts payable to The Football Foundation and The Football Stadium Improvement Fund	22,000	11,000
Amounts payable to The Football League	6,490	4,825
County FA distributions	6,501	14,125
Professional Footballers Association	2,300	2,300
FA Youth Trust and FA National Sports Centre Trust	3,000	-
Other distributions	964	488
Distributions to the game	41,255	32,738
Wages and salaries	15,070	14,453
Stadia and event management	8,888	13,843
Exceptional items (see Note 6)	21,172	6,700
Other operating expenses	23,405	28,835
	109,790	96,569
Less : Grants released to profit and loss account	-	(188)
Total operating expenses (administrative)	109,790	96,381

Notes to the accounts
Year ended 31 December 2003

4. Directors' emoluments

	2003 £'000	2002 £'000
Directors' emoluments	476	1,255
Directors' benefits in kind	12	14
Directors' pension payments	8	16
	496	1,285

	No.	No.
The number of directors to whom retirement benefits are accruing in respect of qualifying services in respect of defined benefit schemes	1	1

	£'000	£'000
Details of highest paid director		
Total emoluments and benefits in kind	351	408
Compensation for loss of office	-	750
	351	1,158

	£'000	£'000
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:	31	5

5. Employee information

	2003 No.	2002 No.
Average monthly number of persons employed by the Group during the year:		
Promotion of Association Football	261	273
Stadium and event management	33	22
	294	295

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	19,067	19,254
Social security costs	1,857	1,819
Other pension costs	2,185	1,795
	23,109	22,868

Notes to the accounts
Year ended 31 December 2003

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 2003. This valuation was updated to 31 December 2003. The pensions cost for the year of the Company's defined benefit scheme was £2,016,484 (2002: £1,674,506). In addition the Group contributed £168,128 (2002: £120,553) to personal pension plans of other employees. Of this £9,843 related to the Company's defined contribution scheme (2002: £nil).

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 2003 using the Projected Unit 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 the full actuarial valuation as at 1 January 2003, updated to 31 December 2003.

The liabilities of the scheme at 31 December 2003 were calculated on the following bases as required under FRS17:

Assumptions at 31 December 2003 (Expected long-term rates of return)	**2003** % p a	**2002** % p a	**2001** % p a
Discount rate	5.4	5.5	6
Expected return on equity	6.8	6.5	7
Expected return on bonds	5	4.75	5.75
Expected return on cash	3.75	4	4
Rate of increase in pensionable salaries	4.25	4	4.25
Rate of increase of pensions in payment	3.75	3.5	3.75
Inflation assumption	2.75	2.5	2.75

Notes to the accounts
Year ended 31 December 2003

5. Employee information (continued)

The balance sheet position for the Group's defined benefit scheme as calculated under FRS 17 at 31 December 2003 and 2002 was as follows:

Pension commitments

	Value at 31 December 2003 £'000	Value at 31 December 2002 £'000	Value at 31 December 2001 £'000
Broken down as:			
- Equity investments	15,273	11,035	12,817
- *Bond investments*	5,731	5,222	3,929
- Cash	605	1,196	1,774
Fair value of assets	21,609	17,453	18,520
Present value of scheme liabilities	(27,183)	(22,169)	(18,453)
(Deficit) / surplus in the scheme	(5,574)	(4,716)	67
Related deferred tax asset / (liability)	1,672	1,415	(20)
Net pension (liability) / asset	(3,902)	(3,301)	47

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

	2003 £'000	Restated (note 26) 2002 £'000
Net assets		
Net assets excluding pension liability	21,644	21,589
Pension liability	(3,902)	(3,301)
Net assets including pension liability	17,742	18,288
Profit and loss reserve		
Profit and loss reserve excluding pension liability	21,644	21,589
Pension liability	(3,902)	(3,301)
Profit and loss reserve including pension liability	17,742	18,288

Notes to the accounts
Year ended 31 December 2003

5. Employee information (continued)

The following amounts would have been recognised in the performance statements in the year to 31 December 2003 under the requirements of FRS 17:

Pension commitments

	2003 £'000	2002 £'000
Operating profit		
Current service cost	(2,053)	(1,601)
Past service cost	-	(58)
Total included within operating profit	(2,053)	(1,659)
Other finance costs		
Expected return on scheme assets	1,059	1,238
Interest on scheme liabilities	(1,264)	(1,157)
Net finance return	(205)	81
Statement of total recognised gains and losses		
Actual return less expected return on scheme assets	1,487	(3,949)
Experience (losses) / gains arising on scheme liabilities	(237)	233
Effects of changes in assumptions underlying the present value of scheme liabilities	(1,724)	(1,225)
Actuarial loss recognised	(474)	(4,941)

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

	2003 £'000	2002 £'000
(Deficit) / surplus in scheme at beginning of year	(4,716)	67
Current service cost	(2,053)	(1,601)
Contributions	1,874	1,736
Past service cost	-	(58)
Other finance income	(205)	81
Actuarial loss	(474)	(4,941)
Deficit in scheme at the end of the year	(5,574)	(4,716)

Notes to the accounts
Year ended 31 December 2003

5. **Employee information (continued)**

Pension commitments

History of experience gains and losses:

	31 December 2003	31 December 2002
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	1,487	(3,949)
Percentage of scheme assets	6.9%	22.6%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	(237)	223
Total actuarial loss in the statement of total recognised gains and losses:		
Amount (£'000)	(474)	(4,941)
Percentage of the present value of scheme liabilities	1.7%	22.3%
Percentage of scheme assets	0.9%	1.0%

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. The Group made contributions of £9,843 (2002: £nil). As at 31 December 2003 £2,822 (2002: £nil) was owed by the Group to the pension scheme, representing employer contributions yet to be paid over.

Notes to the accounts
Year ended 31 December 2003

6. Operating profit

The operating profit is after charging/(crediting):

	2003 £'000	2002 £'000
Depreciation – owned assets	1,383	1,847
Loss on sale of fixed assets	-	40
Auditor's remuneration		
- Group audit fee (including £124,000 (2002: £50,000) relating to the Company)	169	85
- Other services	978	798
Hire of plant and machinery under operating leases	29	-
Other operating lease rentals	2,841	2,877
Grant income	-	(188)
Exceptional items (see notes (a) and (b) below)	22,672	13,800
Exceptional income (see note (c) below)	-	(2,300)

(a) In the year ended 31 December 2003, operating costs includes the following exceptional items in relation to the National Football Centre:

In the opinion of the directors the value of the National Football Centre should be carried at its net realisable value of £4.25 million as at 31 December 2003. Accordingly, these accounts reflect the impairment of the asset of £17.67 million.

In addition there are additional contractual costs of £2.25 million to be incurred in 2004 in relation to the remaining construction costs of pitches and associated services which have also been provided for in these accounts.

(b) In the year ended 31 December 2003 there are further exceptional costs of £1.25 million (in operating costs) and £1.50 million (in cost of sales), in relation to the settlement of certain commercial matters with and services from third party service providers.

(c) This exceptional income in 2002 relates to a release of a provision on settlement of a claim.

7. Interest payable and similar charges

	2003 £'000	Restated (note 26) 2002 £'000
Bank loan interest	(1,077)	-
Other interest	(885)	(138)
	(1,962)	(138)

8. Interest receivable and similar income

	2003 £'000	2002 £'000
Income from fixed asset investments listed in the UK	26	82
Interest receivable	1,623	3,106
Loss on sale of fixed asset investments	(1)	(38)
	1,648	3,150

Notes to the accounts
Year ended 31 December 2003

9. Taxation

	2003 £'000	2002 £'000
UK corporation tax at 30% (2002: 30%)	(4,444)	(4,727)
Adjustment in respect of prior years	1,146	155
Double tax relief	-	70
Foreign tax	-	(101)
	(3,298)	(4,603)
Deferred taxation (see Note 19)	(5,562)	(251)
	(8,860)	(4,854)

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK - 30% (2002: 30%).

The differences are explained below:

	2003 £'000	Restated (Note 26) 2002 £'000
Profit on ordinary activities before tax	8,915	12,567
Tax at 30% thereon:	(2,675)	(3,770)
Effects of:		
Expenses not deductible for tax purposes	(1,097)	(1,262)
Impairment of National Football Centre	(5,302)	-
Capital allowances in excess of depreciation	3,296	288
Movement in short term timing differences	83	(278)
Other permanent differences	7	264
Capitalised finance costs	1,244	-
Adjustment in respect of prior years	1,146	155
Current tax charge for the year	(3,298)	(4,603)

10. Intangible fixed assets

	Intellectual property £'000
Cost and net book value	
At 1 January 2003 and 31 December 2003	250

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

Notes to the accounts
Year ended 31 December 2003

11. 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 2003	70,000	91,327	2,561	27	4,920	168,835
Prior year adjustment (note 26)	-	656	-	-	-	656
At 1 January 2003 as restated	70,000	91,983	2,561	27	4,920	169,491
Additions	-	132,058	-	-	469	132,527
Disposals	-	-	-	-	(284)	(284)
At 31 December 2003	70,000	224,041	2,561	27	5,105	301,734
Accumulated depreciation:						
At 1 January 2003	3,000	-	1,095	20	3,120	7,235
Charge for the year	-	-	513	7	863	1,383
Impairment losses	-	17,674	-	-	-	17,674
Disposals	-	-	-	-	(282)	(282)
At 31 December 2003	3,000	17,674	1,608	27	3,701	26,010
Net book value:						
At 31 December 2003	67,000	206,367	953	-	1,404	275,724
At 31 December 2002	67,000	91,983	1,466	7	1,800	162,256

Group

Land and buildings includes land, which is valued at the directors' opinion of the apportioned cost of £64.5 million arising from the purchase of land and buildings from Wembley plc.

Assets in the course of construction include development costs for the new Wembley stadium and the National Football Centre. During the year, finance costs of £4,158,000 (2002: £656,000) have been capitalised into the cost of assets in the course of construction at Wembley. Directly attributable staff costs of £224,000 have been capitalised as assets in the course of construction.

In the year ended 31 December 2003, a write down of £17,674,000 occurred in relation to the impairment of the National Football Centre property to its net realisable value of £4,250,000.

Notes to the accounts
Year ended 31 December 2003

11. Tangible fixed assets (continued)

Company

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:				
At 1 January 2003	2,561	27	4,490	7,078
Additions	-	-	150	150
At 31 December 2003	2,561	27	4,640	7,228
Accumulated depreciation:				
At 1 January 2003	1,095	21	2,806	3,922
Charge for the year	512	6	744	1,262
At 31 December 2003	1,607	27	3,550	5,184
Net book value:				
At 31 December 2003	954	-	1,090	2,044
At 31 December 2002	1,466	6	1,684	3,156

12. 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	Property development and operating company
FA Learning Limited	Educational activities company

Notes to the accounts
Year ended 31 December 2003

13. Fixed asset investments

Listed investments

	Group and Company	
	2003	2002
	£'000	£'000
Government stocks, at cost		
£570,000 6.75% Treasury Loan 2004	-	612
£275,000 2% Treasury Loan 2006	-	664
	-	1,276
Equity investments, at cost	-	2,502
Total investments	-	3,778

The investments portfolio was disposed of during the year for proceeds of £3,777,000. The market value of these investments at 31 December 2002 was £4,025,000.

14. Stocks

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Finished goods	117	58	117	58

Notes to the accounts
Year ended 31 December 2003

15. Debtors

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Amount falling due within one year				
Trade debtors	1,017	10,951	742	10,506
VAT receivable	923	866	-	-
UK corporation tax receivable	342	396	-	-
Other debtors	253	1,833	167	535
Prepayments and accrued income	4,171	3,925	8,405	3,854
	6,706	17,971	9,314	14,895
Amount falling due after one year				
Loans to clubs	355	346	355	346
Sundry loans	15	18	15	18
Loans to subsidiary companies	-	-	152,816	116,644
Loan arrangement fees	-	15,660	-	-
	370	16,024	153,186	117,008
Total debtors	7,076	33,995	162,500	131,903

A loan of £147,429,000 to WNSL, included in loans to subsidiary companies above, is repayable only after certain obligations under the Wembley financing arrangements have been discharged. 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 18. These have been offset against the bank loan in 2003, now that WNSL has started to draw down against these facilities.

16. Creditors: amounts falling due within one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank loans and overdraft	-	35,716	-	35,716
Trade creditors	7,935	7,997	7,353	7,622
Other creditors				
- UK corporation tax payable	3,631	5,361	3,630	5,359
- Social security and other taxes	5,488	2,917	5,218	2,817
- Other	7,669	1,315	7,669	1,175
Accruals and deferred income	108,811	98,365	99,508	90,250
	133,534	151,671	123,378	142,939

Notes to the accounts
Year ended 31 December 2003

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

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loan	51,918	15,000	-	15,000
Accruals and deferred income	18,825	5,023	18,825	5,023
Deferred grants	78,444	78,444	-	-
	149,187	98,467	18,825	20,023

The Group bank loan is repayable in instalments over a 13 year period once the new stadium is operational. Each annual repayment by WNSL will include a mandatory amount, together with a targeted amount based on performance. The bank loan is stated net of unamortized arrangement fees of £15,289,000.

Deferred grants relate to grants received from Sport England 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.

18. 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 2003, WNSL has undrawn committed borrowings of £359.2 million under the Senior Loan facility and £6.75 million under the Subordinated Senior Loan facility. These facilities, together with the amounts already withdrawn, expire as follows:

	2003	2002
	£'000	£'000
In more than two years	433,150	433,150

The Group also has committed funds of £20 million from the Department of Culture Media and Sport ("DCMS") and £21 million from the London Development Authority ("LDA").

As at 31 December 2003 the Group also had current loan amounts outstanding as follows:

Amounts repayable	2003	2002
	£'000	£'000
Within one year	-	35,000
Between one and two years	-	15,000

This loan was repaid by August 2003.

Notes to the accounts
Year ended 31 December 2003

19. Provisions for liabilities and charges

Group	Deferred tax (see note 20) £'000	Football development support £'000	Commercial and other £'000	Total £'000
At 1 January 2003	85	8,300	5,438	13,823
Utilised in the year	-	-	(2,708)	(2,708)
Released in the year	-	-	(596)	(596)
Transferred to other creditors	-	-	(1,500)	(1,500)
Charged in the year	5,562	149	2,318	8,029
At 31 December 2003	5,647	8,449	2,952	17,048

Company	Deferred tax (see note 20) £'000	Football development support £'000	Commercial and other £'000	Total £'000
At 1 January 2003	(307)	8,300	5,438	13,431
Utilised in the year	-	-	(2,708)	(2,708)
Released in the year	-	-	(596)	(596)
Transferred to other creditors	-	-	(1,500)	(1,500)
Charged in the year	42	149	2,319	2,510
At 31 December 2003	(265)	8,449	2,953	11,137

Football development support provision

Provision for commitments by The Football Association towards certain development projects in the English game during the period 2004 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 2003

20. Deferred tax

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
This comprises fully provided deferred taxation attributable to:				
Capital allowances	4,440	178	(229)	(212)
Other timing differences	(37)	(93)	(36)	(95)
Capitalised finance costs	1,244	-	-	-
Deferred tax liability / (asset)	5,647	85	(265)	(307)

The amount of unprovided deferred tax in the financial statements:

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Rollover relief on disposal of property	292	292	292	292
Other timing differences	-	(363)	-	-
Unprovided deferred tax liability / (asset)	292	(71)	292	292

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 identified 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 (2002: £292,000). 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.

21. Called up share capital

The Company has an authorised share capital of £101 (2002: £101) represented by 2000 (2002: 2000) ordinary equity shares of 5p each and one Special Rights Preference share of £1 (2002: £1).

At 31 December 2003, 1,614 ordinary shares (2002: 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.

Notes to the accounts
Year ended 31 December 2003

22. Movements on reserves

Group	Profit and loss account £'000	Equity shareholders' funds £'000
At 1 January 2003 as previously stated	20,933	20,933
Prior year adjustment (note 26)	656	656
At 1 January 2003 as restated	21,589	21,589
Retained profit for the year	55	55
At 31 December 2003	21,644	21,644
Company		
At 1 January 2003	27,785	27,785
Retained profit for the year	13,071	13,071
At 31 December 2003	40,856	40,856

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

23. Notes to the cash flow statement

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

	2003 £'000	2002 £'000
Operating profit	9,229	9,555
Depreciation charges	1,383	1,847
Increase in stocks	(59)	(19)
Decrease / (increase) in debtors	22,375	(10,211)
Increase in creditors	36,898	2,805
(Decrease) / increase in provisions	(2,294)	2,386
Release of grant income	-	(188)
Loss on disposal of tangible fixed assets	2	40
Impairment in value of freehold property	17,674	-
Net cash inflow from operating activities	85,208	6,215

Notes to the accounts
Year ended 31 December 2003

23. Notes to the cash flow statement (continued)

(b) Analysis of net funds

	At 1 January 2003 £'000	Cash flow £'000	At 31 December 2003 £'000
Cash at bank and in hand	85,213	(46,967)	38,246
Bank overdraft	(716)	716	-
Debt due after one year	(50,000)	(1,918)	(51,918)
Net Funds	34,497	(48,169)	13,672

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

	2003 £'000	2002 £'000
(Decrease)/ increase in cash in the year	(46,251)	82,724
Cash inflow from increase in debt financing	(1,918)	(50,000)
Cash outflow from increase in liquid resources	-	(98,324)
	(48,169)	(65,600)
Net funds brought forward after reclassification	34,497	100,097
Net funds carried forward	13,672	34,497

24. Guarantees and other financial commitments

(a) Capital commitments

Commitment fees on borrowing

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

Contract for Wembley Stadium construction

At 31 December the amount committed to Multiplex (UK) Constructions Limited for the construction of the new Wembley Stadium was £448,049,000 (2002: £445,140,000).

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.

Notes to the accounts
Year ended 31 December 2003

24. Guarantees and other financial commitments (continued)

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

	Group			
	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
- within one year	57	109	68	55
- between two and five years	-	597	-	167
- after five years	2,150	-	2,150	-
	2,207	706	2,218	222

	Company			
	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
- within one year	57	109	68	55
- between two and five years	-	597	-	159
- after five years	2,150	-	2,150	-
	2,207	706	2,218	214

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.

26. Prior year adjustment

The accounts have been restated due to a change in accounting policy, whereby finance costs at WNSL, which were previously written off, have now been capitalised. The Board of directors considers this to be a more appropriate accounting treatment and a better reflection of the real cost of constructing the asset. Finance costs of £656,000 written off in the prior year have been restated as an addition to fixed assets.

During the year finance costs of £4,158,000 have been capitalised as an addition to fixed assets.