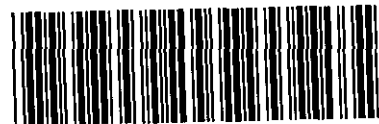


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**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006  
FOR  
SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

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**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

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FOR THE YEAR ENDED 31 MAY 2006**

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**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 MAY 2006**

<b>DIRECTORS:</b>	H M Jenkins L A J Dineen D R Morgan B L Katzen G G Joseph D G Keefe S R Penny
<b>SECRETARY:</b>	A Cowie
<b>REGISTERED OFFICE:</b>	Liberty Stadium Landore Swansea SA1 2FA
<b>REGISTERED NUMBER:</b>	123414 (England and Wales)
<b>AUDITORS:</b>	HR Harris & Partners Limited Chartered Accountants and Registered Auditors 44 St Helens Road Swansea West Glamorgan SA1 4BB
<b>BANKERS:</b>	Lloyds TSB Bank Plc Black Horse House Phoenix Way Swansea Enterprise Park Swansea SA7 9EQ
<b>SOLICITORS:</b>	John Collins & Partners LLP Venture Court Waterside Business Park Valley Way Enterprise Park Swansea SA6 8QP

**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MAY 2006**

The directors present their report with the financial statements of the company for the year ended 31 May 2006.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of professional association football.

**REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

The move to the Liberty Stadium attracting an average league gate of just over 14,000; winning the Football League Trophy and the Football Association of Wales Premier Cup; and reaching the League 1 play off final combined to produce an excellent financial result for the year.

Cash flow generated from the profit earned enabled a substantial investment in the playing squad which put the Club in a strong position to renew its promotion challenge in the 2006/2007 season.

**DIRECTORS**

The directors during the year under review were:

H M Jenkins  
L A J Dineen  
D R Morgan  
B L Katzen  
G G Joseph  
D G Keefe  
S R Penny

The directors holding office at 31 May 2006 did not hold any beneficial interest in the issued share capital of the company at 1 June 2005 or 31 May 2006.

H M Jenkins, D R Morgan and B L Katzen are directors of the company's ultimate holding company, Swansea City Football 2002 Limited, and their interests in the shares of that company are disclosed in the financial statements of that company.

In addition to the above, L A J Dineen has a beneficial interest in the shares of the company's ultimate holding company, Swansea City Football 2002 Limited.

H D Cooze was appointed as a director on 21 September 2006.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MAY 2006**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES - 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

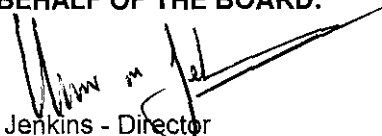
So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, HR Harris & Partners Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**ON BEHALF OF THE BOARD:**



H M Jenkins - Director

15 February 2007

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

We have audited the financial statements of Swansea City Association Football Club Limited for the year ended 31 May 2006 on pages six to twelve. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on pages two and three.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 May 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

Without qualifying our opinion we draw attention to Note 1 to the financial statements. The financial statements have been prepared on a going concern basis, the validity of which depends on adequate financial support being available to the company. The financial statements do not include any adjustments that would result from a failure to obtain adequate financial support.

*HR Harris & Partners*

HR Harris & Partners Limited  
Chartered Accountants  
and Registered Auditors  
44 St Helens Road  
Swansea  
West Glamorgan  
SA1 4BB

15 February 2007

**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MAY 2006**

	Notes	2006 £	2005 £
<b>TURNOVER</b>	2	6,276,448	3,269,723
Administrative expenses		5,867,004	3,505,635
		409,444	(235,912)
Other operating income		35,163	38,824
<b>OPERATING PROFIT/(LOSS)</b>	3	444,607	(197,088)
Interest receivable and similar income		3,291	4,704
		447,898	(192,384)
Interest payable and similar charges		-	696
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		447,898	(193,080)
Tax on profit/(loss) on ordinary activities	4	105	-
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION</b>		447,793	(193,080)

The notes form part of these financial statements



**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

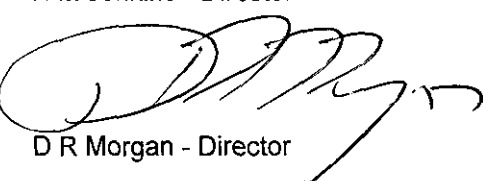
**BALANCE SHEET  
31 MAY 2006**

	Notes	£	2006 £	£	2005 £
<b>FIXED ASSETS</b>					
Intangible assets	5		-		15,248
Tangible assets	6		39,694		13,915
Investments	7		50,001		50,001
			<u>89,695</u>		<u>79,164</u>
<b>CURRENT ASSETS</b>					
Stocks		42,039		-	
Debtors	8	790,252		355,476	
Cash at bank and in hand		55,915		417,437	
		<u>888,206</u>		<u>772,913</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	9	1,114,698		1,509,115	
<b>NET CURRENT LIABILITIES</b>			<u>(226,492)</u>		<u>(736,202)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(136,797)</u>		<u>(657,038)</u>
<b>CREDITORS</b>					
Amounts falling due after more than one year	10		784,158		711,710
<b>NET LIABILITIES</b>			<u>(920,955)</u>		<u>(1,368,748)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		4,699,989		4,699,989
Profit and loss account	12		(5,620,944)		(6,068,737)
<b>SHAREHOLDERS' FUNDS</b>			<u>(920,955)</u>		<u>(1,368,748)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements were approved by the Board of Directors on 15 February 2007 and were signed on its behalf by:

  
H M Jenkins - Director

  
D R Morgan - Director

The notes form part of these financial statements

**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2006**

**1. ACCOUNTING POLICIES**

**Basis of preparing the financial statements - going concern assumption**

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing support of the ultimate holding company.

**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

**Turnover**

Turnover is the total amount, excluding VAT, receivable by the company from footballing and commercial activities.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Transfer fees**

Following the issue of Financial Reporting Standard 10 'Goodwill and Intangible Assets', the company capitalised as an intangible asset the element of players acquisition costs which related to their registration and amortised it over the period of their contract including any subsequently agreed extensions. From 1 June 2005, the company has adopted the policy of writing net transfer fees directly to the profit and loss account.

**Pension costs**

Regular pension costs relate to contributions made by the company to private pension schemes, the costs of which are recognised in the profit and loss account in the period to which they relate.

A provision has also been made to cover the clubs' share of the liabilities of the Football League Limited Pension and Life Assurance Scheme. This is a defined benefit scheme which has been closed to new contributions since 31 August 1999.

**2. TURNOVER**

The turnover and profit (2005 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2006 £	2005 £
Football	5,217,715	2,476,647
Commercial	<u>1,058,733</u>	<u>793,076</u>
	<u>6,276,448</u>	<u>3,269,723</u>

**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2006**

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

The operating profit (2005 - operating loss) is stated after charging:

	2006 £	2005 £
Depreciation - owned assets	12,376	11,577
Loss on disposal of fixed assets	-	1,450
Player registrations amortisation	-	15,248
Auditors' remuneration	6,800	6,800
	<u>          </u>	<u>          </u>
Directors' emoluments and other benefits etc	-	-
	<u>          </u>	<u>          </u>

**4. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2006 £	2005 £
Current tax:		
UK corporation tax	105	-
	<u>          </u>	<u>          </u>
Tax on profit/(loss) on ordinary activities	105	-
	<u>          </u>	<u>          </u>

**5. INTANGIBLE FIXED ASSETS**

	Player registrations £
<b>COST</b>	
At 1 June 2005	36,750
Disposals	(36,750)
	<u>          </u>
At 31 May 2006	-
	<u>          </u>
<b>AMORTISATION</b>	
At 1 June 2005	21,502
Eliminated on disposal	(21,502)
	<u>          </u>
At 31 May 2006	-
	<u>          </u>
<b>NET BOOK VALUE</b>	
At 31 May 2006	-
	<u>          </u>
At 31 May 2005	15,248
	<u>          </u>

**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2006**

**6. TANGIBLE FIXED ASSETS**

	Plant and machinery £	Fixtures and fittings £	Totals £
<b>COST</b>			
At 1 June 2005	66,401	59,806	126,207
Additions	3,804	34,351	38,155
Disposals	<u>(55,378)</u>	<u>(47,131)</u>	<u>(102,509)</u>
At 31 May 2006	<u>14,827</u>	<u>47,026</u>	<u>61,853</u>
<b>DEPRECIATION</b>			
At 1 June 2005	59,832	52,460	112,292
Charge for year	2,966	9,410	12,376
Eliminated on disposal	<u>(55,378)</u>	<u>(47,131)</u>	<u>(102,509)</u>
At 31 May 2006	<u>7,420</u>	<u>14,739</u>	<u>22,159</u>
<b>NET BOOK VALUE</b>			
At 31 May 2006	<u>7,407</u>	<u>32,287</u>	<u>39,694</u>
At 31 May 2005	<u>6,569</u>	<u>7,346</u>	<u>13,915</u>

**7. FIXED ASSET INVESTMENTS**

	Interest in joint venture £
<b>COST</b>	
At 1 June 2005 and 31 May 2006	<u>50,001</u>
<b>NET BOOK VALUE</b>	
At 31 May 2006	<u>50,001</u>
At 31 May 2005	<u>50,001</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

**Joint Ventures**

**Swansea Stadium Management Company Limited**

Nature of business: Management of the Liberty Stadium

Class of shares:	% holding
Ordinary £1 shares	33.33

**Swansea Stadium Premier Club Limited**

Nature of business: Set up the Premier Club at the Liberty Stadium

Class of shares:	% holding
Ordinary £1 shares	50.00

**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2006**

**8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2006	2005
	£	£
Trade debtors	151,407	175,900
Other debtors	635,048	165,439
Prepayments and accrued income	3,797	14,137
	<u>790,252</u>	<u>355,476</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2006	2005
	£	£
Other loans	13,250	-
Trade creditors	505,365	305,834
Corporation tax	105	-
Social security and other taxes	146,880	175,420
Other creditors	365,938	409,270
Advanced season ticket income	-	546,163
Football league pension scheme	2,052	4,822
Accruals and deferred income	81,108	67,606
	<u>1,114,698</u>	<u>1,509,115</u>

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2006	2005
	£	£
Other loans	26,500	-
Amounts owed to group undertakings	745,688	697,688
Football league pension scheme	11,970	14,022
	<u>784,158</u>	<u>711,710</u>

**11. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	2006	2005
			£	£
9,400,000	Ordinary	50p	<u>4,700,000</u>	<u>4,700,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2006	2005
			£	£
9,399,978	Ordinary	50p	<u>4,699,989</u>	<u>4,699,989</u>

**SWANSEA CITY ASSOCIATION  
FOOTBALL CLUB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2006**

**12. RESERVES**

	Profit and loss account £
At 1 June 2005	(6,068,737)
Profit for the year	447,793
	<hr/>
At 31 May 2006	<u>(5,620,944)</u>

**13. ULTIMATE PARENT COMPANY**

The ultimate holding company is Swansea City Football 2002 Limited, which is registered in England and Wales. Swansea City Association Football Club Limited is 100% owned by Swansea City Football Club Limited, which is registered in England and Wales. Swansea City Football Club Limited is 99.15% owned by Swansea City Football 2002 Limited.

**14. OTHER FINANCIAL COMMITMENTS**

The company entered into a Joint Venture Agreement with Swansea City Council and South West Wales Rugby Limited in relation to the management of the Liberty Stadium and the Club's lease of offices and licence to use the stadium. That agreement does regulate the lease, which, together with the Club's formation jointly with South West Wales Rugby Limited of Swansea Stadium Premier Club Limited (to set up the Premier Club at the stadium) were all entered into at the end of March 2005 with the Club duly taking occupation of the stadium under those arrangements during May 2005.

**15. RELATED PARTY DISCLOSURES**

The company's related parties as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of the transactions are summarised below :

Amount due to Swansea City Football 2002 Limited is £745,688 (2005 : £687,688). This amount due to the ultimate holding company has arisen as a result of funding provided by them for operating activities. The directors are of the opinion that the amount due is of a long term nature.