

REGISTERED NUMBER. 00123414 (England and Wales)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012
FOR
SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED**

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**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012**

	Page
Company Information	1
Report of the Directors	2 to 4
Report of the Independent Auditors	5 to 6
Profit and Loss Account	7
Statement of Total Recognised Gains and Losses	8
Balance Sheet	9 to 10
Notes to the Financial Statements	11 to 26

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 MAY 2012

DIRECTORS

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

SECRETARY

A Cowie

REGISTERED OFFICE

Liberty Stadium
Landore
Swansea
SA1 2FA

REGISTERED NUMBER

00123414 (England and Wales)

SENIOR STATUTORY AUDITOR

Bran Garland

AUDITORS

Gerald Thomas & Co
Chartered Accountants and Statutory Auditors
Furze Bank
34 Hanover Street
Swansea
SA1 6BA

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 00123414)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2012

The directors present their report with the financial statements of the company for the year ended 31 May 2012

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS

The team completed a very successful first season in the Premier League as evidenced by its 11th place finish. Turnover increased by £53.5 million to £65.2 million (2010/2011 £11.7m) which aptly demonstrates the rewards of gaining promotion to the Premier League and this was augmented by earning a merit payment of £7.6 million as a result of finishing in 11th place, out-of-the-blue compensation of £5 million received from Liverpool FC for the loss of management staff and an increase in commercial income of £2.5 million.

Whilst operating expenses, particularly wage costs, doubled the previous year's figures, the Board are happy to announce a net profit after taxation of £14.6 million which is in line with how the operating budgets were structured and sufficient to counteract the net loss after taxation of £8.3 million incurred in the previous year as a result of the promotion push. This result has turned the company's balance sheet reserves into a positive mode for the first time under the tenure of the current Board.

Maintaining a level of profit capable of funding player acquisitions, future growth and capital investment plans will be an ongoing objective.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to a range of risks and uncertainties which predominantly relate to the performance of the football team. The threat of relegation out of the Premier League is considered to be a major risk because of the adverse effect it would undoubtedly have on turnover, liquidity, the ability to retain and recruit talented staff and capital investment projects.

Serious injury to key players is a significant risk to team performance and the market value of playing staff. Operationally the directors must continue to ensure the company remains profitable at a level sufficient to fund vital player acquisitions and projects and conduct its affairs on a best practice basis to maintain good working relationships with the authorities and financial institutions.

DIVIDENDS

No dividends will be distributed for the year ended 31 May 2012.

FIXED ASSETS

The promotion to the Premier League has enabled the Board to invest in tangible fixed assets, £2.1m has been expended within the year, of which £1.4m related to investment in property for key management staff. Since the year end, the Board has continued to invest in enhanced training facilities for both the Youth and Senior squad.

FUTURE DEVELOPMENTS

The directors have pushed on with plans to improve training facilities, achieve academy status for the club's youth development programme and to increase stadium capacity. Whilst facets of these plans rely on the club's ability to remain in the Premier League, some progress has already been made.

1. A £2.5 million investment at Landore involving the creation of two grass pitches, one all weather pitch and a purpose built building to house changing rooms, toilets, cafeteria, etc for completion early 2013,

2. The creation of a partnership with Swansea University including the acquisition of a long term lease of the playing fields at Fairwood, Upper Killay, Swansea. Major work is already underway to improve site drainage and the creation of pitches whilst planning permission is being sorted to create other facilities which will result in a first class training complex befitting a Premier League club,

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 00123414)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2012

3 Preliminary work has commenced to put the club in a position to apply for planning consent in 2013 for an increase in the capacity of the Liberty Stadium with the idea of a phased development over a two year period

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements

DIRECTORS

The directors shown below have held office during the whole of the period from 1 June 2011 to the date of this report

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

FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise bank balances, temporary bank overdrafts, loans, trade debtors and creditors and finance lease agreements. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of temporary overdrafts at floating rates of interest.

In respect of loans, these are comprised of loans from various sources. The interest rate on these loans is variable, but the monthly repayments are fixed. The company manages liquidity risk by ensuring there are sufficient funds to meet the repayments.

The company is a lessee in respect of financed leased assets. The liquidity risk in respect of these is managed in the same way as loans.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit risk.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Currency risk is managed by careful monitoring of the Board of exchange rates and the maintenance of bank accounts in foreign currencies.

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 00123414)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 418 of the Companies Act 2006) 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.

ON BEHALF OF THE BOARD



H M Jenkins - Director

Date 2nd NOVEMBER 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS 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 2012 on pages seven to twenty six. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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 explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Brian Garland (Senior Statutory Auditor)
for and on behalf of Gerald Thomas & Co
Chartered Accountants and Statutory Auditors
Furze Bank
34 Hanover Street
Swansea
SA1 6BA

Date

2/11/2012

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2012**

	Notes	2012 £	2011 £
TURNOVER	2	65,165,603	11,655,553
Operating expenses		47,668,261	22,719,288
		17,497,342	(11,063,735)
Other operating income		43,750	12,570
OPERATING PROFIT/(LOSS)	4	17,541,092	(11,051,165)
Profit/(loss) on sale of intangible fixed assets	5	123,184	27,705
		17,664,276	(11,023,460)
Interest receivable and similar income		34,521	5,851
		17,698,797	(11,017,609)
Interest payable and similar charges	6	279,652	104,558
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		17,419,145	(11,122,167)
Tax on profit/(loss) on ordinary activities	7	2,787,076	(2,867,800)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		14,632,069	(8,254,367)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

The notes form part of these financial statements

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MAY 2012**

	2012 £	2011 £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	14,632,069	(8,254,367)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>14,632,069</u>	<u>(8,254,367)</u>
Prior year adjustment		<u>1,768,255</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		<u>(6,486,112)</u>

The notes form part of these financial statements

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**BALANCE SHEET
31 MAY 2012**

	Notes	2012 £	2011 £
FIXED ASSETS			
Intangible assets	8	10,159,338	2,939,133
Tangible assets	9	2,263,522	316,972
Investments	10	50,001	50,001
		<u>12,472,861</u>	<u>3,306,106</u>
CURRENT ASSETS			
Stocks	11	347,549	86,946
Debtors	12	12,841,396	4,934,011
Cash at bank and in hand		10,791,867	749,982
		<u>23,980,812</u>	<u>5,770,939</u>
CREDITORS			
Amounts falling due within one year	13	24,164,869	13,813,624
NET CURRENT LIABILITIES		<u>(184,057)</u>	<u>(8,042,685)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,288,804	(4,736,579)
CREDITORS			
Amounts falling due after more than one year	14	(1,090,609)	(997,456)
ACCRUALS AND DEFERRED INCOME	19	(4,661,529)	(2,361,368)
NET ASSETS/(LIABILITIES)		<u>6,536,666</u>	<u>(8,095,403)</u>
CAPITAL AND RESERVES			
Called up share capital	20	4,699,989	4,699,989
Profit and loss account	21	1,836,677	(12,795,392)
SHAREHOLDERS' FUNDS	29	<u>6,536,666</u>	<u>(8,095,403)</u>

The notes form part of these financial statements

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**BALANCE SHEET - continued
31 MAY 2012**

The financial statements were approved by the Board of Directors on 2ND NOVEMBER 2012 and were signed on its behalf by



H M Jenkins - Director



D G Keefe - Director

The notes form part of these financial statements

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 00123414)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2012

1 ACCOUNTING POLICIES

Basis of preparing the financial statements - going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. The company's first year of competing in the Premier League has resulted in significant improvements in both profitability and cash flow.

The company relies on the support of its bankers to provide bridging loans to even out cash flow over the year. These loans are secured upon future, guaranteed Premier League funding and the directors have not received any indication from the company's bankers that such facilities will not continue to be available in the future.

The company's long term liabilities mainly consist of loans advanced by its parent company. Such loans will not fall due for repayment until the company has sufficient cash reserves to settle the loans.

Therefore, after making enquiries, the directors believe that the company has, and will generate, sufficient funds in order to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Cash flow statement

Exemption has been taken from preparing a cash flow statement on the grounds that the company's results are included within the consolidated financial statements of its parent company.

Changes in accounting policies

In the prior year the company adopted a policy of capitalising player acquisition costs, as set out below. The directors believe that this policy is more appropriate than that of writing player acquisition costs off to the profit and loss account in the period incurred, due to the increasing significance of player acquisition costs and to bring the company's policies in line with that of other companies in the same industry.

The effect of the change in accounting policy on the results for the prior period is a decrease in the reported loss for the year of £1,402,192.

Turnover

Turnover is the amount derived from ordinary activities and stated after trade discounts, other sales taxes and net of VAT. Season ticket and home gate receipts are recognised gross of commissions that are deducted at source by the stadium's landlords, with the related commissions expense being recognised as operating costs.

Revenue is recognised when the underlying event or service sold takes place. In the instance of merchandise sales, revenue is recognised on the despatch of goods to customers. Advanced season ticket sales and advertising/sponsorship income is included within deferred income and released to turnover in the relevant season.

Patents and licenses

Patents and licenses owned by the company are amortised on a straight line basis over a ten year period. The amortisation period selected is based on the registration period of the patents and licenses.

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 00123414)

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2012

1 ACCOUNTING POLICIES - continued

Players acquisition costs

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. Costs of players' registrations are comprised of transfer fees, transfer levies and agents' fees. These costs are fully amortised in equal instalments over the period of the players' individual contracts. Where a player's contract is extended beyond its initial period, amortisation is calculated over the period of the extended contract from the date on which it is signed. Players' registrations are written down for impairment when the carrying amount is assessed as exceeding the amount recoverable through use or sale.

The profit or loss on disposal of a player's registration is calculated as the difference between the transfer fee recovered/receivable less the net book value at the date of sale and less any direct costs of the transfer. Receipts of transfer fees based on the future performance of the transferred player or the buying Club are recognised when the future criteria are met. Similarly, payments of transfer fees based on future performance criteria are recognised when the criteria are assessed as being probable that they will be met.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold	- 10% on cost and 2% on cost
Long leasehold	- 2% on cost
Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 33 3% on cost

No depreciation has been provided on assets that have not been brought into use by the balance sheet date.

Investment property

The company's freehold land and buildings are treated as investment properties, as defined by Statement of Standard Accounting Practice No 19, ("SSAP 19") and therefore their carrying value is revalued annually by the directors. Accordingly, they are not depreciated.

The Companies Act 2006 requires all properties to be depreciated. However this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption but for their investment potential, it is necessary to adopt SSAP 19 and not depreciate in order to give a true and fair view. If this departure from the Companies Act 2006 had not been made, the result for the year would have been reduced by depreciation.

However depreciation is only one amongst many factors reflected in the annual valuation of properties, and accordingly, the amount of depreciation which might otherwise have been shown, cannot be separately identified or quantified.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes purchase price less discounts where applicable. Net realisable value is based on estimated selling price. Provision is made for obsolete and slow moving items where appropriate.

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 00123414)

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2012

1 ACCOUNTING POLICIES - continued

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid(or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a non-discounted basis

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability

Pension costs and other post-retirement benefits

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 club's 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 1995. The company is unable to identify its share of the assets and liabilities of the scheme and as such, the provision made in relation to the scheme is updated following three yearly actuarial reviews as necessary

Signing-on fees

Signing-on fees representing a normal part of the employment costs associated with players are charged to the profit and loss account over the period of the players contract. Where a players' registration is transferred any signing on fees payable in respect of future periods are charged against the profit and loss accounts in the period that the registration is transferred

Fixed asset investments

Fixed asset investments are stated at cost less any provision for diminution in value. This basis of valuation is used as market value cannot easily be obtained

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

2 TURNOVER

The turnover and profit (2011 - loss) before taxation are attributable to the one principal activity of the company

An analysis of turnover by class of business is given below

	2012 £	2011 £
Football income	60,826,302	9,790,982
Commercial income	4,339,301	1,864,571
	<u>65,165,603</u>	<u>11,655,553</u>

3 STAFF COSTS

	2012 £	2011 £
Wages and salaries	30,484,149	15,455,815
Social security costs	4,035,816	1,928,122
Other pension costs	46,602	8,540
	<u>34,566,567</u>	<u>17,392,477</u>

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

	2012	2011
Football	157	109
Administration	10	7
Commercial	19	12
Media	6	3
	<u>192</u>	<u>131</u>

4 OPERATING PROFIT/(LOSS)

The operating profit (2011 - operating loss) is stated after charging/(crediting)

	2012 £	2011 £
Depreciation - owned assets	93,831	54,946
Depreciation - assets on hire purchase contracts	39,935	26,741
Profit on disposal of fixed assets	-	(5,361)
Patents and licences amortisation	1,416	1,223
Player registration costs amortisation	4,660,029	1,396,715
Auditors' remuneration	12,000	10,000
Foreign exchange differences	(64,368)	-
Compensation income - non player employees	(5,000,000)	(20,000)
Player registration impairment provision	504,995	508,407
Auditors' remuneration - other assurance services	2,000	2,000
Auditors' remuneration - taxation advisory services	1,250	1,150
	<u></u>	<u></u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

4 OPERATING PROFIT/(LOSS) - continued

Directors' remuneration	373,251	188,360
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Information regarding the highest paid director for the year ended 31 May 2012 is as follows

	2012
	£
Emoluments etc	200,000

5 EXCEPTIONAL ITEMS

During the year, the company made profits on the sale of player registrations amounting to £123,184 (2011 £27,705)

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Bank interest	71,726	-
Interest on group loans	174,935	99,321
Other interest	27,184	-
Hire purchase	5,807	5,237
	<u>279,652</u>	<u>104,558</u>

7 TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows

	2012	2011
	£	£
Current tax		
UK corporation tax	9,250	-
Deferred tax	2,777,826	(2,867,800)
Tax on profit/(loss) on ordinary activities	<u>2,787,076</u>	<u>(2,867,800)</u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

7 TAXATION - continued

Factors affecting the tax charge/(credit)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2012 £	2011 £
Profit/(loss) on ordinary activities before tax	17,419,145	(11,122,167)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2011 - 26%)	3,483,829	(2,891,763)
Effects of:		
Expenses not deductible for tax purposes	7,899	-
Capital allowances in excess of depreciation	(8,447)	-
Depreciation in excess of capital allowances	-	13,806
Utilisation of tax losses	(3,406,131)	-
Losses carried forward	-	2,877,957
Rollover/reinvestment relief	(67,900)	-
Current tax charge/(credit)	9,250	-

Factors that may affect future tax charges

The value of the deferred tax asset that has not been recognised in respect of trading losses and timing differences relating to accelerated capital allowances is £nil (2011: £1,033,593). The asset would be recovered if sufficient taxable profits were to arise in future periods.

A deferred tax asset of £89,974 (2011: £2,867,800) has been provided for on the basis that the directors regard that there is more likely than not to be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

No deferred tax liability has been recognised in relation to rollover/reinvestment relief on player gains, on the basis that there are expected to be sufficient player acquisitions in the foreseeable future in order to continue to utilise this relief. The value of the deferred tax liability that has not been provided for is £67,900.

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

8 INTANGIBLE FIXED ASSETS

	Patents and licences £	Player registration costs £	Totals £
COST			
At 1 June 2011	12,223	5,615,435	5,627,658
Additions	3,210	12,640,255	12,643,465
Disposals	-	(1,951,358)	(1,951,358)
Impairments	-	(504,995)	(504,995)
At 31 May 2012	15,433	15,799,337	15,814,770
AMORTISATION			
At 1 June 2011	2,981	2,685,546	2,688,527
Amortisation for year	1,416	4,660,029	4,661,445
Eliminated on disposal	-	(1,694,540)	(1,694,540)
At 31 May 2012	4,397	5,651,035	5,655,432
NET BOOK VALUE			
At 31 May 2012	11,036	10,148,302	10,159,338
At 31 May 2011	9,242	2,929,889	2,939,131

9 TANGIBLE FIXED ASSETS

	Freehold investment property £	Short leasehold £	Long leasehold £	Assets under construction £
COST				
At 1 June 2011	-	281,782	-	30,469
Additions	1,389,495	713	176,328	121,798
Impairments	(39,496)	-	-	-
At 31 May 2012	1,349,999	282,495	176,328	152,267
DEPRECIATION				
At 1 June 2011	-	83,845	-	-
Charge for year	-	28,270	-	-
At 31 May 2012	-	112,115	-	-
NET BOOK VALUE				
At 31 May 2012	1,349,999	170,380	176,328	152,267
At 31 May 2011	-	197,937	-	30,469

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

9 TANGIBLE FIXED ASSETS - continued

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 June 2011	49,821	127,598	106,377	596,047
Additions	388,149	26,080	17,250	2,119,813
Impairments	-	-	-	(39,496)
At 31 May 2012	<u>437,970</u>	<u>153,678</u>	<u>123,627</u>	<u>2,676,364</u>
DEPRECIATION				
At 1 June 2011	35,432	94,269	65,530	279,076
Charge for year	58,787	18,057	28,652	133,766
At 31 May 2012	<u>94,219</u>	<u>112,326</u>	<u>94,182</u>	<u>412,842</u>
NET BOOK VALUE				
At 31 May 2012	<u>343,751</u>	<u>41,352</u>	<u>29,445</u>	<u>2,263,522</u>
At 31 May 2011	<u>14,389</u>	<u>33,329</u>	<u>40,847</u>	<u>316,971</u>

Freehold investment property is included in the accounts on an open market value basis, as valued by the directors on 31st May 2012. The comparable historical costs of the investment property is £1,389,495.

The net book value of tangible fixed assets includes £160,023 (2011 - £38,450) in respect of assets held under hire purchase contracts. Depreciation of £39,935 (2011 - £26,741) has been charged on assets held under hire purchase contracts during the year.

10 FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 1 June 2011 and 31 May 2012	<u>50,001</u>
NET BOOK VALUE	
At 31 May 2012	<u>50,001</u>
At 31 May 2011	<u>50,001</u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

10 FIXED ASSET INVESTMENTS - continued

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

Associated Companies

Swansea Stadium Management Company Limited

Nature of business Stadium management

	% holding	31/5/12 £	31/5/11 £
Class of shares			
Ordinary £1 shares	33 33		
Aggregate capital and reserves		(361,821)	(406,319)
Profit/(loss) for the year		44,498	(140,698)

Swansea Stadium Premier Club Limited

Nature of business Management of the Stadium Premier Club

	% holding	31/7/12 £	31/7/11 £
Class of shares			
Ordinary £1 shares	50 00		
Aggregate capital and reserves		2	2
Profit for the year		-	105

The results of associated companies are based upon the latest available management accounts, as statutory financial statements for the years ended 31 May and 31 July 2012 have not yet been filed

11 STOCKS

	2012 £	2011 £
Stocks	347,549	86,946

12 DEBTORS

	2012 £	2011 £
Amounts falling due within one year		
Trade debtors	6,288,784	382,188
Amounts owed by participating interests	-	35,000
Other debtors	5,055,293	632,868
Directors' current accounts	50,830	2,135
Deferred tax asset	89,974	2,867,800
Prepayments	1,231,515	889,020
	12,716,396	4,809,011

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

12 DEBTORS - continued

	2012 £	2011 £
Amounts falling due after more than one year		
Amounts owed by participating interests	125,000	125,000
	<u>125,000</u>	<u>125,000</u>
Aggregate amounts	12,841,396	4,934,011
	<u>12,841,396</u>	<u>4,934,011</u>

13 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Bank loans and overdrafts (see note 15)	5,500,000	-
Other loans (see note 15)	-	181,387
Hire purchase contracts (see note 16)	49,632	19,245
Trade creditors	4,736,149	3,935,547
Amounts owed to group undertakings	-	1,297,500
Tax	9,250	-
Social security and other taxes	3,361,465	3,943,042
VAT	3,166,252	177,179
Other creditors	7,342,121	4,259,724
	<u>24,164,869</u>	<u>13,813,624</u>

14 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £	2011 £
Hire purchase contracts (see note 16)	69,407	5,795
Amounts owed to group undertakings	979,471	979,471
Other creditors	41,731	12,190
	<u>1,090,609</u>	<u>997,456</u>

15 LOANS

An analysis of the maturity of loans is given below

	2012 £	2011 £
Amounts falling due within one year or on demand		
Bank loans	5,500,000	-
Other loans	-	181,387
	<u>5,500,000</u>	<u>181,387</u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

16 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	2012 £	2011 £
Gross obligations repayable		
Within one year	58,147	21,544
Between one and five years	81,445	6,707
	<u>139,592</u>	<u>28,251</u>
Finance charges repayable		
Within one year	8,515	2,299
Between one and five years	12,038	912
	<u>20,553</u>	<u>3,211</u>
Net obligations repayable		
Within one year	49,632	19,245
Between one and five years	69,407	5,795
	<u>119,039</u>	<u>25,040</u>

The following operating lease payments are committed to be paid within one year

	Land and buildings		Other operating leases	
	2012 £	2011 £	2012 £	2011 £
Expiring				
Within one year	-	-	47,661	103,795
Between one and five years	-	-	179	477
In more than five years	127,800	60,000	-	-
	<u>127,800</u>	<u>60,000</u>	<u>47,840</u>	<u>104,272</u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

17 SECURED DEBTS

The following secured debts are included within creditors

	2012 £	2011 £
Bank loans	5,500,000	-
Hire purchase contracts	119,039	25,040
Amounts owed to parent company	-	1,297,500
	<u>5,619,039</u>	<u>1,322,540</u>

The bank loan is secured by way of an assignment of funds of the Premier League income. The Premier League contributions are paid directly to the bank, who deduct the loan repayment prior to paying the balance of funds over to the club.

Hire Purchase contract liabilities are secured on the underlying fixed assets.

OTH Limited, a company controlled by M Morgan, director, holds a charge over the company's freehold investment property.

18 DEFERRED TAX

	£
Balance at 1 June 2011	(2,867,800)
Utilised during year	<u>2,777,826</u>
Balance at 31 May 2012	<u>(89,974)</u>

19 ACCRUALS AND DEFERRED INCOME

	2012 £	2011 £
Accruals and deferred income	<u>4,661,529</u>	<u>2,361,368</u>

20 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value	2012 £	2011 £
9,399,978	Ordinary	50p	<u>4,699,989</u>	<u>4,699,989</u>

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 00123414)

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2012

21 RESERVES

	Profit and loss account £
At 1 June 2011	(12,795,392)
Profit for the year	14,632,069
At 31 May 2012	<u>1,836,677</u>

22 PENSION COMMITMENTS

Certain members of the playing squad are members of The Professional Footballers Pension Scheme. This scheme is compulsory for all members of the Professional Footballers Association, unless the member decides to opt-out of the scheme. The company does not make any contributions into the scheme and does not share in any of the scheme's assets or liabilities. Accordingly no provision for the scheme is made in these financial statements.

In addition, certain former staff of the company were members of the Football League Limited Pension and Life Assurance Scheme ('FLLPLAS') comprising both defined benefit (suspended from 31 August 1995) and defined contribution sections.

Following a review of the Minimum Funding Requirement ('MFR') of the FLLPLAS, accrual of benefits of the final salary section of the scheme was suspended as at 31 August 1995. In light of the exceptional circumstances affecting the scheme, the trustees of the scheme commissioned an independent actuary's report on the MFR position and a substantial deficit was identified. Under the terms of participating in the FLLPLAS, the company is required to contribute to the deficit of the scheme based on the most recent actuarial valuation carried out as at 31 August 2011. The amount owed by the company at the balance sheet date was £47,698 (2011 £15,466). During the period, contributions of £3,276 (2011 £3,276) have been paid to the scheme.

23 ULTIMATE PARENT COMPANY

The ultimate parent company is Swansea City Football 2002 Limited. Swansea City Association Football Club Limited is a wholly owned subsidiary of Swansea City Football Club Limited. Swansea City Football 2002 Limited holds 99.15% of the issued share capital of Swansea City Football Club Limited.

Since the balance sheet date, but before the signing of these financial statements, the group has undergone an internal share restructure. However, there is no change in the ultimate parent company, Swansea City Football 2002 Limited.

The consolidated financial statements of this group can be obtained from The Registrar of Companies, Companies House, Crown Way, Cardiff, UK.

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 00123414)

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2012

24 CONTINGENT LIABILITIES

Under the terms of the Swansea Stadium Management Company Limited shareholders' agreement, the company has entered into an obligation to assist that company in meeting its liabilities as they fall due. The shareholders' agreement also requires the company to indemnify Swansea Stadium Management Company Limited against all of its losses, debts, obligations and liabilities, which it is unable to, for any reason, pay, perform or satisfy in the ordinary course of business. The company shares these obligations with Ospreys Rugby Limited, the obligations of both companies being joint and several.

Under the terms of the shareholders' agreement, both the company and Swansea Stadium Management Company Limited must agree on the terms of repayment, if any, of any such funding provided by the company.

25 OTHER FINANCIAL COMMITMENTS

Under the terms of certain contracts for the sale and purchase of players' registrations, future monies may become due, depending upon the future success of the buying and selling clubs and the future successes of the individual players. Due to the nature of the underlying criteria, any additional amounts that may become due cannot be readily quantified.

26 TRANSACTIONS WITH DIRECTORS

The following loans to directors subsisted during the years ended 31 May 2012 and 31 May 2011

	2012 £	2011 £
L A J Dineen		
Balance outstanding at start of year	-	-
Amounts advanced	50,000	-
Amounts repaid	(50,000)	-
Balance outstanding at end of year	<u>-</u>	<u>-</u>
J Van Zweden		
Balance outstanding at start of year	-	-
Amounts advanced	50,000	-
Amounts repaid	-	-
Balance outstanding at end of year	<u>50,000</u>	<u>-</u>

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 00123414)

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2012

26 TRANSACTIONS WITH DIRECTORS - continued

Loans to directors are subject to an interest rate of 3 25% p a

Loans to directors are due for repayment at the discretion of the Board of the ultimate holding company

Directors' loans are unsecured

During the year, the company also entered into transactions with companies in which directors hold an interest

Directors' business interest	Year	Sales	Purchases	Year end debtor	Year end creditor
Printforless Limited (H D Cooze)	2012	-	£133,960	-	£10,571
	2011	-	£110,397	-	£26,856
Bulk Vending Systems Limited (L A J Dineen)	2012	£4,941	£61,425	-	£6,270
	2011	-	£38,695	-	£9,293
Jaxx Bay Limited (M W Morgan)	2012	£1,770	£25,058	-	£30,070
	2011	-	-	-	-
John Collins & Partners LLP (S R Penny)	2012	£9,350	£35,436	-	£4,189
	2011	£3,889	£36,764	-	£30,456
Other (M W Morgan)	2012	£6,570	£5,288	£2,520	-
	2011	£5,458	£8,652	-	-

27 RELATED PARTY DISCLOSURES

The company has taken advantage of the available exemption from disclosing related party transactions with group companies on the grounds that consolidated accounts are available

During the year, Swansea Stadium Management Company Limited collected match revenue on behalf of the company amounting to £6,083,372 (2011 £5,348,051) It also recharged expenses to the company amounting to £575,787 (2011 £258,704) At the balance sheet date, the company owed £15,382 (2011 £31,521) to Swansea Stadium Management Company Limited

At the balance sheet date, £125,000 (2011 £160,000) was owed to the company from Swansea Stadium Management Company Limited in relation to a loan advanced in the previous year

The company also receives club membership income through Swansea Stadium Premier Club Limited Amounts paid to the company from Swansea Stadium Premier Club Limited during the year amounted to £742,950 (2011 £673,660) It also made purchases from the company amounting to £3,245 (2011 £nil) At the balance sheet date, Swansea Stadium Premier Club Limited owed the company £nil (2011 £13,597)

At the balance sheet date, the company was owed £450,000 (2011 - £nil) from M T G Nurse, a 5% shareholder of the ultimate holding company, Swansea City Football 2002 Limited The year end balance consists of two loans, each with different terms

£400,000 of the balance is secured upon M T G Nurse's shareholding in Swansea City Football 2002 Limited The loan is interest free and there is no specified repayment date

£50,000 of the balance is subject to an interest rate of 3 25% and is repayable at the discretion of the Board of the ultimate holding company The £50,000 loan is unsecured

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB
LIMITED (REGISTERED NUMBER: 00123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

28 POST BALANCE SHEET EVENTS

Since the balance sheet, the company has acquired tangible fixed assets to the value of £750,878. The company has also acquired player registrations amounting to £18,650,168 and realised proceeds from player registration disposals of £21,550,000.

29 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit/(loss) for the financial year	14,632,069	(8,254,367)
Net addition/(reduction) to shareholders' funds	14,632,069	(8,254,367)
Opening shareholders' funds	(8,095,403)	158,964
Closing shareholders' funds	6,536,666	(8,095,403)