

REGISTERED NUMBER: 123414 (England and Wales)

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011  
FOR  
SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED**

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**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED (REGISTERED NUMBER: 123414)**

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FOR THE YEAR ENDED 31 MAY 2011**

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**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 MAY 2011**

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**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:**

123414 (England and Wales)

**SENIOR STATUTORY  
AUDITOR:**

Brian Garland

**AUDITORS:**

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

# **SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 123414)**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2011**

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The directors present their report with the financial statements of the company for the year ended 31 May 2011

### **PRINCIPAL ACTIVITY**

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

### **REVIEW OF BUSINESS**

The board of directors is pleased to announce that the club completed its third and most successful season in the Championship, gaining promotion to the Premier League and is proudly wearing the mantle of being the first Welsh club to do so

The accounts reveal a loss after tax of £8,254,372 for the financial year which reflects the cost of the club's achievement, the liability for which arose immediately once the final whistle was blown at Wembley Stadium on 30 May 2011

The win triggered bonuses to the players and football management staff, additional transfer fees and loans fees, compensation to Football League relegated clubs and the loss of our share of the Wembley gate receipts traditionally ceded to the losing play-off finalists. These costs have been partially offset by an increase in reporting results for the year, which arose from the change in accounting policy, whereby player registration costs are now capitalised and amortised over the underlying contract terms

The effect of the large amount of income generated by this success will not, of course, be enjoyed until the financial year ended 31 May 2012 and whilst the accounts for that year will be adversely affected by increased operating costs, particularly payroll, our goal will be to realise sufficient profit to counter the 2010/2011 loss. Our operating budgets for 2011/2012 are structured to enable this to happen

Whilst our immediate goal is to consolidate our position in the Premier League and ensure we survive this season, our long term goals will cater for Swansea City remaining as a top flight club, but not in any way that puts the company's financial stability at risk. This remains paramount in our management philosophy

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The directors consider that the principle risks and uncertainties facing the company are in relation to the performance of the football team. Specifically serious injury to key players and the subsequent effect on both the team performance and market value of the player is considered to be a significant risk

Additionally the directors consider that the threat of relegation to a lower league to be both a principal risk and uncertainty

Operationally the directors must ensure that the company generates sufficient cash reserves to fund working capital requirements and conducts its affairs on a 'best practice' basis to maintain good working relationships with bankers and other financial institutions

### **DIVIDENDS**

No dividends will be distributed for the year ended 31 May 2011

### **FUTURE DEVELOPMENTS**

The directors believe that given the increase in annual income which can be obtained as a result of continuing membership of the Premier League, the club has a perfect opportunity to develop plans to improve training facilities, achieve academic status for youth development, and increase stadium capacity

The secret is to balance spending to maintain and improve performance on the pitch so we remain in the Premier League, and spending on new projects considered important to the wellbeing of the club going forward

# **SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 123414)**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2011**

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### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 June 2010 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.

### **POST BALANCE SHEET EVENTS**

Subsequent to the financial year-end the club increased its investment in players by acquiring, among others, Danny Graham for a new club record fee, Wayne Routledge, Leroy Lita and Michel Vorm.

It was also imperative that the contracts of existing players were improved and upgraded to protect the club and reflect the elevated status of the players as Premier League performers.

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED (REGISTERED NUMBER: 123414)**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MAY 2011**

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**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 19<sup>th</sup> JANUARY 2012

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

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We have audited the financial statements of Swansea City Association Football Club Limited for the year ended 31 May 2011 on pages seven to twenty five. 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 financial statements 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 2011 and of its loss 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

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## 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 Auditor  
Furze Bank  
34 Hanover Street  
Swansea  
SA1 6BA

Date

20/1/2012



**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED (REGISTERED NUMBER: 123414)**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MAY 2011**

		2011	2010 as restated £
	Notes	£	
<b>TURNOVER</b>	2	11,655,553	10,057,670
Administrative expenses		22,719,293	11,191,348
		(11,063,740)	(1,133,678)
Other operating income		12,570	21,112
<b>OPERATING LOSS</b>	4	(11,051,170)	(1,112,566)
Profit/loss on sale of intangible fixed assets		27,705	2,300,096
		(11,023,465)	1,187,530
Interest receivable and similar income		5,851	3,925
		(11,017,614)	1,191,455
Interest payable and similar charges	5	104,558	10,663
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(11,122,172)	1,180,792
Tax on (loss)/profit on ordinary activities	6	(2,867,800)	824
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(8,254,372)	1,179,968

**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: 123414)**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MAY 2011**

	2011	2010 as restated £
	£	
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	<b>(8,254,372)</b>	<b>1,179,968</b>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>(8,254,372)</b>	<b>1,179,968</b>
Prior year adjustment	Note 7	
	<b>1,768,255</b>	
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT</b>	<b>(6,486,117)</b>	

The notes form part of these financial statements

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED (REGISTERED NUMBER: 123414)**

**BALANCE SHEET  
31 MAY 2011**

		2011		2010 as restated	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	8		2,939,131		1,992,344
Tangible assets	9		316,971		391,454
Investments	10		50,001		50,001
			<u>3,306,103</u>		<u>2,433,799</u>
<b>CURRENT ASSETS</b>					
Stocks	11	86,946		142,491	
Debtors	12	4,934,011		3,131,610	
Cash at bank and in hand		749,982		40,012	
		<u>5,770,939</u>		<u>3,314,113</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	13	13,813,626		4,049,097	
<b>NET CURRENT LIABILITIES</b>			<u>(8,042,687)</u>		<u>(734,984)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(4,736,584)</u>		<u>1,698,815</u>
<b>CREDITORS</b>					
Amounts falling due after more than one year	14		(997,456)		(1,205,795)
<b>ACCRUALS AND DEFERRED INCOME</b>	18		<u>(2,361,368)</u>		<u>(334,056)</u>
<b>NET (LIABILITIES)/ASSETS</b>			<u><u>(8,095,408)</u></u>		<u><u>158,964</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		4,699,989		4,699,989
Profit and loss account	20		<u>(12,795,397)</u>		<u>(4,541,025)</u>
<b>SHAREHOLDERS' FUNDS</b>	27		<u><u>(8,095,408)</u></u>		<u><u>158,964</u></u>

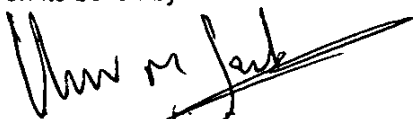
The notes form part of these financial statements

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED (REGISTERED NUMBER: 123414)**

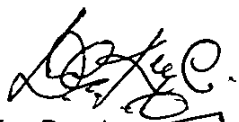
**BALANCE SHEET - continued  
31 MAY 2011**

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The financial statements were approved by the Board of Directors on 19<sup>th</sup> JANUARY 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: 123414)**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2011**

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### **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 football team gained promotion to the Premier League at the end of the 2010/11 season. As such, the company's profitability and cash generation has been projected by the directors, to improve significantly in the next financial year.

The company relies on the support of its directors, through various related party companies, and also its bankers, to provide loans to assist at times when cash flow is under pressure. The directors plan to continue to support the company in this way until such time that the company is generating sufficient profits to fund working capital requirements.

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**

The company has adopted a policy of capitalising player acquisition costs, as set out below. The directors believe that this policy is now 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.

In accordance with FRS 3 Reporting Financial Performance, a prior period adjustment has been accounted for, as set out in note 7, below. The effect of the prior period adjustment on the results for the preceding period, is to increase previously reported results by £1,768,255.

The effect of the change in accounting policy on the results for the current 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 commission that are deducted at source by the stadium's landlords, with the related commission expense being recognised as match day 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.

# **SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 123414)**

## **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2011**

### **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.

### **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
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.

### **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.

### **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.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 123414)

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2011

### 1 ACCOUNTING POLICIES - continued

#### 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.

#### 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 player's 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.

### 2 TURNOVER

The turnover and loss (2010 - profit) before taxation are attributable to the one principal activity of the company.

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

	2011	2010 as restated
	£	£
Football income	9,790,982	8,226,126
Commercial income	1,864,571	1,831,544
	<u>11,655,553</u>	<u>10,057,670</u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED (REGISTERED NUMBER: 123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**3 STAFF COSTS**

	2011	2010 as restated
	£	£
Wages and salaries	15,455,815	7,443,492
Social security costs	1,928,122	856,619
Other pension costs	8,540	18,237
	<u>17,392,477</u>	<u>8,318,348</u>

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

	2011	2010 as restated
Football	109	102
Administration	7	7
Commercial	12	8
Media	3	3
	<u>131</u>	<u>120</u>

**4 OPERATING LOSS**

The operating loss is stated after charging/(crediting)

	2011	2010 as restated
	£	£
Depreciation - owned assets	54,947	56,623
Depreciation - assets on hire purchase contracts	26,741	27,322
Profit on disposal of fixed assets	(5,361)	-
Patents and licences amortisation	1,223	1,103
Player registration costs amortisation	1,396,716	777,570
Auditors' remuneration	10,000	7,100
Compensation income - non player employees	(20,000)	(2,050,000)
Player registration impairment provision	508,407	-
	<u>188,360</u>	<u>80,052</u>
Compensation to director for loss of office	-	30,000
	<u>-</u>	<u>30,000</u>



**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED (REGISTERED NUMBER: 123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	2011	2010 as restated
	£	£
Loan interest	99,321	6,805
Hire purchase	5,237	3,858
	<u>104,558</u>	<u>10,663</u>

**6 TAXATION**

**Analysis of the tax (credit)/charge**

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

	2011	2010 as restated
	£	£
Current tax		
UK corporation tax	-	824
Deferred tax	(2,867,800)	-
Tax on (loss)/profit on ordinary activities	<u>(2,867,800)</u>	<u>824</u>

**Factors affecting the tax (credit)/charge**

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

	2011	2010 as restated
	£	£
(Loss)/profit on ordinary activities before tax	<u>(11,122,172)</u>	<u>1,180,792</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2010 - 21%)	(2,891,765)	247,966
Effects of		
Losses carried forward	2,877,957	-
Depreciation in excess of capital allowances	13,808	10,044
Relief from losses brought forward	-	(257,186)
Current tax (credit)/charge	<u>-</u>	<u>824</u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
LIMITED (REGISTERED NUMBER: 123414)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**6 TAXATION - continued**

**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 approximately £1,033,593 (2010 £945,963). The asset would be recovered if sufficient taxable profits were to arise in future periods.

A deferred tax asset of £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.

**7 PRIOR YEAR ADJUSTMENT**

During the year, the company has changed its accounting policy in respect of the treatment of player acquisition costs, as set out in note 1 to the financial statements. In accordance with FRS 3 Reporting Financial Performance, this has resulted in a prior year adjustment amounting to £1,768,255, which represents an increase in prior year's reported results arising from the change in accounting policy.

Comparative figures have been restated where necessary.

**8 INTANGIBLE FIXED ASSETS**

	Patents and licences £	Player registration costs £	Totals £
<b>COST</b>			
At 1 June 2010	12,223	3,392,884	3,405,107
Additions	-	2,875,429	2,875,429
Disposals	-	(144,471)	(144,471)
Impairments	-	(508,407)	(508,407)
At 31 May 2011	12,223	5,615,435	5,627,658
<b>AMORTISATION</b>			
At 1 June 2010	1,758	1,411,005	1,412,763
Amortisation for year	1,223	1,396,716	1,397,939
Eliminated on disposal	-	(122,175)	(122,175)
At 31 May 2011	2,981	2,685,546	2,688,527
<b>NET BOOK VALUE</b>			
At 31 May 2011	9,242	2,929,889	2,939,131
At 31 May 2010	10,465	1,981,879	1,992,344

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
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**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**9 TANGIBLE FIXED ASSETS**

	Short leasehold £	Assets under construction £	Plant and machinery £
<b>COST</b>			
At 1 June 2010	281,782	23,174	47,670
Additions	-	7,295	2,151
At 31 May 2011	281,782	30,469	49,821
<b>DEPRECIATION</b>			
At 1 June 2010	55,666	-	28,516
Charge for year	28,179	-	6,916
Eliminated on disposal	-	-	-
At 31 May 2011	83,845	-	35,432
<b>NET BOOK VALUE</b>			
At 31 May 2011	197,937	30,469	14,389
At 31 May 2010	226,116	23,174	19,154
	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>			
At 1 June 2010	122,181	122,466	597,273
Additions	6,398	14,500	30,344
Disposals	(981)	(30,589)	(31,570)
At 31 May 2011	127,598	106,377	596,047
<b>DEPRECIATION</b>			
At 1 June 2010	79,590	42,047	205,819
Charge for year	15,463	31,130	81,688
Eliminated on disposal	(784)	(7,647)	(8,431)
At 31 May 2011	94,269	65,530	279,076
<b>NET BOOK VALUE</b>			
At 31 May 2011	33,329	40,847	316,971
At 31 May 2010	42,591	80,419	391,454

The net book value of tangible fixed assets includes £38,450 (2010 - £73,633) in respect of assets held under hire purchase contracts

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**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**10 FIXED ASSET INVESTMENTS**

	Unlisted investments £
<b>COST</b>	
At 1 June 2010 and 31 May 2011	<u>50,001</u>
<b>NET BOOK VALUE</b>	
At 31 May 2011	<u>50,001</u>
At 31 May 2010	<u>50,001</u>

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	2011 £	2010 £
Class of shares	33 33		
Ordinary £1 shares			
Aggregate capital and reserves		(406,319)	(265,621)
Loss for the year		<u>(140,698)</u>	<u>(9,329)</u>

**Swansea Stadium Premier Club Limited**

Nature of business Management of the Stadium Premier Club

	% holding	31/7/11 £	31/7/10 £
Class of shares	50 00		
Ordinary £1 shares			
Aggregate capital and reserves		<u>(103)</u>	<u>(103)</u>

**11 STOCKS**

	2011 £	2010 as restated £
Stocks	<u>86,946</u>	<u>142,491</u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
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**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**12 DEBTORS**

	2011	2010 as restated
	£	£
Amounts falling due within one year		
Trade debtors	382,188	2,515,358
Amounts owed by participating interests	35,000	35,000
Other debtors	632,868	447,757
Directors' current accounts	2,135	-
Deferred tax asset	2,867,800	-
Prepayments	889,020	133,495
	<u>4,809,011</u>	<u>3,131,610</u>
Amounts falling due after more than one year		
Amounts owed by participating interests	<u>125,000</u>	<u>-</u>
Aggregate amounts	<u>4,934,011</u>	<u>3,131,610</u>

**13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2011	2010 as restated
	£	£
Bank loans and overdrafts (see note 15)	-	13,014
Other loans (see note 15)	181,387	153,813
Hire purchase contracts (see note 16)	19,245	28,429
Trade creditors	3,935,549	1,467,459
Amounts owed to group undertakings	1,297,500	1,000,000
Tax	-	824
Social security and other taxes	3,943,042	357,978
VAT	177,179	450,775
Other creditors	4,259,724	576,805
	<u>13,813,626</u>	<u>4,049,097</u>

**14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2011	2010 as restated
	£	£
Other loans (see note 15)	-	181,387
Hire purchase contracts (see note 16)	5,795	29,471
Amounts owed to group undertakings	979,471	979,471
Other creditors	12,190	15,466
	<u>997,456</u>	<u>1,205,795</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**15 LOANS**

An analysis of the maturity of loans is given below

	2011	2010 as restated £
	£	£
Amounts falling due within one year or on demand		
Bank overdrafts	-	13,014
Other loans	181,387	153,813
	<u>181,387</u>	<u>166,827</u>
Amounts falling due between one and two years		
Other loans - 1-2 years	-	153,813
	<u>-</u>	<u>153,813</u>
Amounts falling due between two and five years		
Other loans - 2-5 years	-	27,574
	<u>-</u>	<u>27,574</u>

**16 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES**

	2011	Hire purchase contracts 2010 as restated £
	£	£
Gross obligations repayable		
Within one year	21,544	32,455
Between one and five years	6,707	33,222
	<u>28,251</u>	<u>65,677</u>
Finance charges repayable		
Within one year	2,299	4,026
Between one and five years	912	3,751
	<u>3,211</u>	<u>7,777</u>
Net obligations repayable		
Within one year	19,245	28,429
Between one and five years	5,795	29,471
	<u>25,040</u>	<u>57,900</u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
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**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**16 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued**

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

	Land and buildings		Other operating leases	
	2011	2010 as restated	2011	2010 as restated
	£	£	£	£
Expiring				
Within one year	-	10,000	103,795	12,416
Between one and five years	-	-	477	66,668
In more than five years	60,000	60,000	-	-
	<u>60,000</u>	<u>70,000</u>	<u>104,272</u>	<u>79,084</u>

**17 SECURED DEBTS**

The following secured debts are included within creditors

	2011	2010 as restated
	£	£
Hire purchase contracts	25,040	57,900
Amounts owed to parent company	1,297,500	1,000,000
	<u>1,322,540</u>	<u>1,057,900</u>

During the year the company received additional loans of £1,050,000 from its ultimate parent company, who in turn received the loans from OTH Limited, a company jointly controlled by M W Morgan, director. The loan balance at the year end is repayable within one year and is secured against the assets of the company. Interest on the loan is payable at a rate of 1.5% per annum above the Bank of England Base Rate.

**18 ACCRUALS AND DEFERRED INCOME**

	2011	2010 as restated
	£	£
Accruals and deferred income	<u>2,361,368</u>	<u>334,056</u>

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
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**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**19 CALLED UP SHARE CAPITAL**

Allotted, Number	issued and fully paid Class	Nominal value	2011	2010 as restated £
			£	£
9,399,978	Ordinary	50p	<u>4,699,989</u>	<u>4,699,989</u>

**20 RESERVES**

	Profit and loss account £
At 1 June 2010	(6,309,280)
Prior year adjustment	<u>1,768,255</u>
	(4,541,025)
Deficit for the year	<u>(8,254,372)</u>
At 31 May 2011	<u>(12,795,397)</u>

**21 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. The amount owed by the company at the balance sheet date was £15,466 (2010 £18,742). During the year, contributions of £3,276 (2010 £2,970) have been paid to the scheme.

**22 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.

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  
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**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

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**23 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. The latter obligation does not apply if Swansea Stadium Management Company Limited has conformed to various other obligations that are set out in the shareholders' agreement. 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.

The company is currently in discussions with HMRC as to the taxation treatment of certain agents' fees, some of which relate to the current and preceding financial years. As negotiations are currently ongoing, any potential liability to the company arising as a result of a change in taxation treatment, cannot be quantified. As such, no provisions have been included within the financial statements.

**24 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.

# **SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (REGISTERED NUMBER: 123414)**

## **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2011**

### **25 TRANSACTIONS WITH DIRECTORS**

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

The company purchased goods and services amounting to £110,397 (2010 £107,328) from, and made sales of £79 (2010 £nil) to Printforless Limited, a company controlled by H D Cooze, director. At the balance sheet date, the company owed Printforless Limited £26,856 (2010 £28,770)

The company also purchased legal services amounting to £36,764 (2010 £10,692) from, and made sales of £3,889 (2010 £2,724) to John Collins & Partners LLP, a Limited Liability Partnership in which S R Penny, director, is a designated member. At the balance sheet date, the company owed John Collins & Partners LLP £30,456 (2010 £8,419)

During the year, the company purchased goods and services amounting to £8,652 (2010 £24,901) from, and made sales of £5,458 (2010 £nil) to Morgans Hotels Limited, a company controlled by M W Morgan, director. At the balance sheet date, the company owed Morgans Hotels Limited £22,747 (2010 £14,095)

At the balance sheet date, the company was owed £1,520 (2010 £1,520) by Swansea com, a company controlled by M W Morgan

The company also purchased goods and services amounting to £38,695 (2010 £21,299) from Bulk Vending Systems Limited, a company jointly controlled by L A J Dineen, director. The company also sold services amounting to £nil (2010 £2,600) to Bulk Vending Systems Limited. At the balance sheet date the company owed Bulk Vending Systems Limited £9,293 (2010 £6,233)

During the year the company made sales of £2,098 to B Katzen, a director. At the balance sheet date B Katzen owed the company £2,135 (2010 £38). This balance has been repaid in full within 9 months of the year-end

### **26 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 £5,348,051 (2010 £2,878,816). It also recharged expenses to the company amounting to £258,704 (2010 £90,986). At the balance sheet date, the company owed/(was owed) £31,521 (2010 £62,936) by Swansea Stadium Management Company Limited

During the year, the company loaned £125,000 (2010 £35,000) to Swansea Stadium Management Company Limited. At the balance sheet date, £160,000 (2010 £35,000) was owed to the company, of which £125,000 is due after more than 1 year. The loan is not interest bearing

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 £673,660 (2010 £527,974). At the balance sheet date, Swansea Stadium Premier Club Limited owed the company £13,597 (2010 £44,482)

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB  
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**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 MAY 2011**

**27 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2011	2010 as restated
	£	£
(Loss)/Profit for the financial year	(8,254,372)	1,179,968
<b>Net (reduction)/addition to shareholders' funds</b>	<b>(8,254,372)</b>	<b>1,179,968</b>
Opening shareholders' funds (originally £(1,609,291) before prior year adjustment of £1,768,255)	158,964	(1,021,004)
<b>Closing shareholders' funds</b>	<b>(8,095,408)</b>	<b>158,964</b>