Loftus Road plc

Annual Report and Financial Statements

31 May 2001
Registered number 3197756

Contents

Directors

Non-Executive

Ross Jones (44) (Non-Executive Chairman)

is Chief Executive of GNI Fund Management Limited, part of Old Mutual Group plc.

Chris Wright (58)

is Chairman and Chief Executive of Chrysalis Group plc, the company that he founded shortly after graduating from university in the late 1960's. He stepped down as Chairman of Loftus Road plc in January 2001 and resigned from the Board on 17 May 2002.

Nick Blackburn (57)

is an Executive Director of Really Useful Theatres Limited and of The Way Ahead Group.

Nigel Butterfield (55)

is Group Finance Director of Chrysalis Group plc, a post that he has held since its flotation in 1985. He resigned from the Board on 30 January 2002.

Bob Collier (63)

was Joint Managing Director of Inter-Continental Hotels & Resorts and has previously served on the Board of Trusthouse Forte Hotels Limited in London and ITT Sheraton in Boston Massachusetts. He was a Non-Executive Director to a number of companies. He resigned from the Board on 9 February 2002.

Charles Levison (61)

was Non-Executive Chairman of Sci Entertainment Group plc, a computer games company that is traded on AIM. He was also Deputy Chairman of Chrysalis Group plc and a Non-Executive Director of Allied Leisure plc. He was also a consultant to Harbottle & Lewis, Solicitors. He resigned from the Board on 31 January 2002.

Ivor Montlake (70)

has been honorary secretary and Trustee of Wasps Football Club since 1975 and is a director of Wasps Rugby Football Club Limited. He resigned from the Board on 8 February 2002.

Executive

David Davies (44) (Group Chief Executive)

was appointed to the Board on 3 July 2000. He was formerly Managing Director of Ogden Entertainment (UK) Limited which managed the MEN and Telewest Arenas in the UK and the Oberhausen Arena in Germany. He was also the Chairman of Ice Hockey Superleague (UK) Limited.

Paul Hart (37) (former Group Finance Director and Company Secretary)

was appointed to the Board of Loftus Road plc in September 1996 and resigned from the Board on 23 July 2001.

Advisors and shareholder information

Auditors

Rothman Pantall & Co

Clareville House

26/27 Oxendon Street

London

SW1Y 4EP

Group Offices

Loftus Road plc

Loftus Road Stadium

South Africa Road

London W12 7PA

Telephone 020 8743 0262

Fax 020 8740 2525

Legal Advisors

Harbottle & Lewis

Hanover House

14 Hanover Square

London W1R OBE

Registered Office

Loftus Road Stadium

South Africa Road

London W12 7PA

Bankers

Barclays Bank Plc

27 Soho Square

London

W1A 4WA

Company Registration Number

3197756

Registrars and Transfer Office

Lloyds TSB Registrars

The Causeway

Worthing

West Sussex BN99 6DB

Telephone 01903 502541

Fax 01903 854031

Queens Park Rangers Football and Athletic Club Ltd.

Fax 020 8749 0994

http://www.qpr.co.uk

Shareholder Information

The Loftus Road plc shares were quoted in The Financial Times and the London Evening Standard. This service ceased on 2 April 2001, when the company entered Administration.

Chairman's Statement

I am pleased to announce the full year results for the financial year ending 31 May 2001, the first since Loftus Road plc came out of administration on 27 May 2002.

The period covered by these financial statements were turbulent times. The results on the pitch were disappointing, but more importantly, the company's finances had to be reorganised.

The Board spent much of the second half of the financial year exploring restructuring alternatives on behalf of the shareholders. However, these proved fruitless and as a result, the company was unable to sign off the accounts as a going concern. The Directors therefore decided they would apply for an administration order, which was granted on 2 April 2001 at the High Court in the Strand. The decision was taken in the belief that the company could attract new investors, however, in a climate of increasing concern over football finances, this took longer than initially expected.

During the period, the two clubs continued to fulfil their obligation to their leagues, supporters and players. Furthermore, they received grants and direct payments from both governing bodies toward the cost of these activities. The bulk of the resulting losses were covered by internal loans from Chris Wright. It was the Directors' inability to generate further equity or loans that forced the board to seek the protection of the courts.

Results and Dividend

The Group recorded a loss before interest and taxation of £4,922,000 (2000 – loss of £4,735,000) after accounting for loss on disposal of players' registrations of £68,000 (2000 – profit of £31,000), profit on disposal of land and buildings of £510,000 (2000 - £3,139,000) and profit on disposal of a subsidiary undertaking of £2,500,000 (2000 - £nil). Turnover for the year was £8,879,000 (2000 - £8,051,000). The loss per ordinary share amounted to 9.3 pence (2000 – loss of 8.9 pence). The directors do not propose the payment of a dividend for the year under review (2000 - £nil).

Net Assets

Net assets as at 31 May 2001 amounted to £6,148,000 (2000 - £9,563,000) representing net assets per Ordinary share of 10.2 pence (2000 – 16.0 pence). In accordance with Financial Reporting Standard 10, no amount is included in the balance sheet to reflect the value of home-grown players or any market valuation of the playing squad.

Operational Review

a) *Football Activities*

It was evident how difficult the task of managing costs of football activities was to become during the year, particularly in light of the size of contracts that had been signed in the previous two years. These contracts, plus the unusually high number of injuries incurred, saw the cost and size of the squad rocket to sixty-one players in the early months of 2001.

The one bright spot on the playing horizon was the form of our Under 19 team, which reached the final of the FA Premier Academy League Final, eventually going down 3-4 on aggregate to Nottingham Forest.

There was a strong desire to provide Gerry Francis with the ammunition to consolidate our First Division position, building on the previous season's creditable tenth place finish. Unfortunately, this desire was not realised, and the club was relegated to the Second Division for the first time since 1967.

The game against Fulham in January 2001 was a watershed. Not only did we lose Clarke Carlisle and Richard Langley for the rest of the year, unfortunately Chris Wright resigned as Chairman of the club only days afterwards. Later the same month, Gerry Francis announced his resignation. Ian Holloway replaced him in late February and although there was a short up-turn in form, our fate was eventually sealed in April, with a 2-1 away loss at Huddersfield consigning the club to Division Two.

In the twelve months covered by these financial statements the cost of football activities increased by some 7% to £7,486,000.

Off the field, the club undertook a major refurbishment of the training facilities at Twyford Avenue. The refurbishment cost of £303,000 has left the club with a first class training facility, which would eventually be shared with Wasps after its sale for £2,500,000 to Chris Wright in May 2001. Similarly the club took on board during the late summer of 2000 the re-roofing of Loftus Road stadium at cost of £100,000.

b) *Rugby Activities*

Wasps enjoyed a successful season, finishing runners-up to Leicester in the Premiership, and reaching the Semi-Finals of the end of season Play Offs.

Although the plc held an EGM in May 2001 to sell off London Wasps, it is worth recording that the rugby club saw a significant rise in its attendances and maintained a fairly stable income base due to the arrangements between the Zurich Premiership clubs and the RFU governing salary controls.

c) *Corporate*

During February 2001, the plc recognised it was unable to sign its interim reports on a 'going concern' basis. This resulted in preparations commencing to seek administrative protection at the High Court. The Directors felt that despite the squad size and trading deficit, that given time and re-structuring, Queens Park Rangers would become and remain a going concern. The administration process was initially expected to last no more than six months. This impression was endorsed by the level of interest and number of enquiries received from BDO Stoy Hayward in the period leading immediately up to, and subsequently from, the Court appearance.

Not long after the Court appearance, four members of staff were made redundant, mainly in the Operations and Accountancy Departments. Furthermore, compromise agreements were sought with some dozen players, with a further four players re-negotiating their contracts. These efforts, combined with natural wastage of players coming to the end of their playing contracts, saw the squad size reduce from sixty-one to forty at the beginning of the season 2001/02. Indeed this reduction was helped by the subsequent sales of Peter Crouch to Portsmouth and Jermaine Darlington to Wimbledon.

d) *Commercial Activities*

The period covered in these financial statements was dominated by arrangements with 21C. A contract had been entered into in 1999 for this company to carry out all of the Loftus Road commercial activities. It became clear during the period covered by these financial statements that this arrangement was ill conceived, ultimately destined to fail, and indeed this contract came to a conclusion during the summer of 2002. As a result, the Company had to recruit new staff to cover the traditional activities that had been subcontracted to 21C. The activities subcontracted included management of the merchandise outlets, box office, sponsorship, advertising and hospitality sales. These activities have subsequently all been managed by the existing in-house scheme.

Board Structure and Staff

Although there has been considerable change in the composition of the Board since the last set of published accounts, only two resignations were received in the 2000/2001 period. Simon Crane resigned as a Director of the Company on 3 July 2000 and Neil Duncanson also resigned as a Director of the Company on 13 March 2001.

On behalf of the Board of Directors, I would like to take this opportunity to thank all the staff for their considerable efforts over the past year in particularly trying circumstances.

Outlook

At the end of the period covered by these accounts, the outlook for the club was bleak, and the Board of Directors were forced to sell assets to raise cash and re-structure the plc. The two steps were as follows:

i) The sale of London Wasps Limited
ii) The sale of the training ground at Twyford.

On 18 May 2001 there was an EGM called at Loftus Road to sell off both of these assets having taken professional advice and gaining re-evaluations on both the stadium at South Africa Road and Twyford Avenue. The decision to sell raised £5,000,000 and reduced the corporate debt by £4,050,000. It was believed that this disposal made the plc far more attractive to football based purchasers.

The club remained in administration for a further twelve months until 27 May 2002. The cost of the administration totalled some £790,000, being split between both BDO Stoy Hayward and Harbottle and Lewis who acted as lawyers to the Company.

The club emerged from administration thanks to a re-structuring of its finances brought about by the completion of a ten million pound loan from ABC Corporation. This allowed the Directors to pay its major creditor half the outstanding debt in full and final settlement, as well as paying off its trade and government agency creditors in full.

People

People are the key to the success of the new business, and we wish to place on record our thanks for the contribution and hard work that have been put in by all the staff, working for both clubs and the Company. In addition, we thank our supporters who consistently demonstrated great loyalty to the club, despite the disappointing relegation from Division One. As history has shown us in the subsequent eighteen months since that fateful day, the supporters of Queens Park Rangers have rallied around, to the point where today our season ticket count stands higher than it did when the club was in the Premiership, and currently our average attendance for the 2002/03 season is the second highest in Division Two. With one exception, we received positive comments regarding the behaviour of our fans everywhere we travel to, in both cup and league competitions, and we are rightly proud that they are great ambassadors for our club.

Future Prospects

As already mentioned, it is the hope of all the Board of Directors that the club will return to Division One at the earliest opportunity. We believe that under Ian Holloway, we have as strong a squad as we have had for many years and are well placed to make a serious challenge in the current season.

In general, football remains a business in transition. The effect of changes in labour law, the retrenchment of television monies and the result of over financing of many leading clubs has lead to the complete revision of institutional financial involvement in our sport. As can be seen from the ultimate disappearance of clubs like Airdrieonians and Clydebank, football is not insulated from the general ills that effect wider industry. However, the level of support of our fans, and the subsequent agreement that was reached with Fulham to groundshare for the 2002/03 season with an option to extend for a further season, have given our plc the opportunity to re-structure itself, and has given hope that our club has a brighter future. Queens Park Rangers continues to enjoy a well deserved reputation as a friendly community based club, and I have no doubt that the hard work and commitment shown by its Directors, staff and supporters of the club will continue to develop positively in the coming years.

Ross Jones
Chairman
28 March 2003

Financial Review

Trading Review

Turnover for the year was £8,879,000, an increase from the previous year of £828,000. A significant factor for this increase was an additional £1,100,000 in television revenue from the new On Digital/ITV contract with the Football League for the year under review. Analysed below is a breakdown of how the television and media revenue has arisen:

	2001	2000
	£'000	£'000
Domestic award – football	**1,885**	734
Facility fees – football	**45**	90
Domestic award – rugby	**1,092**	566
European Cup award – rugby	**-**	298
Facility fees – rugby	**15**	8
Other	**12**	50
	3,049	1,746

The analysis below shows a decrease of 8% in our League match receipts and season ticket revenues between the years. However, season ticket sales actually increased by 11% during this period. The fall in our League match income can mainly be attributed to the drop in attendances during the relegation season of Queens Park Rangers.

	2001	2000
	£'000	£'000
League match receipts and season tickets	**2,794**	3,047
Cup match receipts	**358**	306
Other match receipts	**21**	63
Programmes, membership and other match income	**182**	182
	3,355	3,598

As in previous years, our principal cost is wages and salaries. These figures include certain costs which may not be reasonably expected to be repeated in future years, which include payments made relating to players' contractual entitlements upon transfer ("non basic costs"). The total wages costs can be reanalysed as follows:

	2001	2000
	£'000	£'000
Player and management wages	**9,076**	8,421
Administrative and directors' wages	**911**	1,005
Non basic costs	**89**	126
	10,076	9,552

The reanalysis shows an 8% increase in player and management wages and a 9% decrease in administrative and directors' wages. Since going into administration, the Group has sought to drastically reduce the size of the playing squad to reduce the player wage bill.

The current year has been relatively quiet on the transfer front. The Group has continued to purchase players and has resulted in an overall net transfers payable position. This is analysed below:

	2001 £'000	2000 £'000
Purchase costs of players' registrations	(333)	(828)
Contingent transfer fees payable	(130)	(36)
Football League transfer levy	(19)	(34)
	(482)	(898)
Net sale proceeds from sale of players' registrations	-	-
Contingent transfer fees receivable	38	285
Net transfer fees (payable)/receivable	(444)	(613)

Cash Flow and Funding

During the year there was a net cash outflow before financing to the Group which has resulted in an increase in the Group's borrowings. Analysed below are the effects of this:

	2001 £'000	2000 £'000
Cash outflow before financing and player trading	(5,101)	(7,050)
Net cash (outflow)/inflow from player trading	(606)	(230)
Cash inflow from Sudbury proceeds	-	9,258
Cash inflow/(outflow) before financing	(5,707)	1,978

This cash inflow/(outflow) was applied/funded as follows:

	2001 £'000	2000 £'000
Net loans from Chris Wright	(8,454)	(600)
Other new loan	-	(1,348)
New financing	(8,454)	(1,948)
Repayment of existing loans	528	103
Net financing inflow	(7,926)	(1,845)
Repayment/(utilisation) of bank facilities	2,219	3,823
Cash inflow/(outflow) before financing	(5,707)	1,978

As at 31 May 2001, the Group had repaid all of its operational bank borrowings.

Financial instruments

The Group currently finances its operations through shareholder loans, other loans, player sales and working capital balances such as trade debtors and trade creditors. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing such risks as outlined below. These policies have remained unchanged since June 1998.

It is the Group's policy to constantly review its financing options; historically it has taken out floating rate debt in the short term.

Taxation

There is no tax change on the loss in the year. Accumulated tax losses are carried forward as available for relief against future profit.

PMEnglish

Paul English
Group Finance Director
March 2003

Directors' report

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss for that year. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates which are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Results and Dividend

The results of the Group for the year are set out on pages 15 to 35. The Directors do not recommend the payment of any dividend for the year ended 31 May 2001.

Principal Activities and Review of Business

The principal activity of the Company and the Group is now solely the operation of a professional football club, with related commercial activities. These activities and performance are reported in the Chairman's statement and the financial review.

Formerly, the Group operated a professional rugby club, namely London Wasps, in the Zurich Premier League. However, following an EGM on the 18 May 2001, this part of the business was sold off.

Directors and their Interests

The Directors of the Company (together with their beneficial interests in the share capital of the Company) are as follows:

	At 31 May 2001		At 31 May 2000*	
	Ordinary Shares	**Options**	Ordinary Shares	Options
Chris Wright	**26,321,019**	-	26,321,019	-
Nigel Butterfield	**22,500**	**22,500**	22,500	25,000
Charles Levison	**75,000**	**75,000**	75,000	75,000
Bob Collier	**21,000**	-	21,000	-
Paul Hart	**3,000**	**150,000**	3,000	150,000
Nick Blackburn	**10,500**	**25,000**	10,500	25,000
Ross Jones	**1,200,000**	-	1,200,000	-
Ivor Montlake	-	-	-	-
David Davies	-	-	-	-

* or subsequent date of appointment if later

On 3 July 2000, Simon Crane resigned as a Director of the Company. On 13 March 2001, Neil Duncanson resigned as a Director of the Company.

As the Company entered Administration on the 2 April 2001, no AGM was scheduled and therefore the requirement for Directors to retire by rotation as laid out in the Articles of Association was not appropriate during the period covered by this report.

On 23 July 2001, Paul Hart resigned as a Director. On 30 January 2002, Nigel Butterfield resigned as a Director. On 31 January 2002, Charles Levison resigned as a Director. On 8 February 2002, Ivor Montlake resigned as a Director. On 9 February 2002, Bob Collier resigned as a Director. On 17 May 2002, Chris Wright resigned as a Director.

Chris Wright is interested in a further 2,898,483 Ordinary shares as a trustee of Aspen Trustees Limited (formerly known as Culture Vulture Pension Fund) of which he is also a potential beneficiary. In addition, the Wright family trust is interested in a further 15,275 Ordinary shares. Ivor Montlake and Bob Collier are the appointed representatives of the Trustees of Wasps Football Club.

Biographical details of each of the Directors are shown on page 2. Further details of options held by each Director on 31 May 2001 are shown in note 5 to the financial statements.

All but one of the Directors services are provided under arrangements, which are terminable on less than six months notice. David Davies has twelve months notice in his Contract of Employment.

Directors and Officers' Liability Insurance

During the year the Company purchased and maintained liability insurance for its Directors and Officers as permitted by section 310(3) of the Companies Act 1985.

Substantial Shareholdings

On 24 March 2003, in addition to the interests of the Directors referred to above, the following holdings of Ordinary shares of 3% or more of the issued share capital of the Company have been notified or were recorded in the Company's register:

	No. of shares	Percentage
QPR Nominees Limited (see note 27)	16,066,019	25.7
Trustees of Wasps Football Club	3,899,900	6.2
James Arbib	2,500,000	4.0
Tring Securities Limited	2,308,000	3.7

Corporate Governance

For the first ten months of the period covered by these financial statements, the Company followed the Stock Exchange Principles of Good Governance and Code of Best Practice ("the Combined Code"), which embrace the work of the Cadbury, Greenbury and Hampel Committees. Whilst the Group was not required to comply, the Directors support the recommendations on the Combined Code and detailed below are some of the procedures that the Directors felt were appropriate to a company of the size and nature of Loftus Road plc.

However, given that the Company was unable to sign its interims, it informed the Stock Exchange on 30 March 2001 that it wished to suspend trading in its shares and of its intention to de-list. The de-listing became effective on 2 April 2001. The Administration process lasted until 27 May 2002 and as a result, the plc came off the Exchange on 2 October 2001.

Board of Directors

The Board at the end of the period covered by these financial statements comprised of two Executives and seven Non-Executives and was responsible to the shareholders for the proper management of the Company. It met regularly to review trading performance, ensure adequate funding and ultimately oversee the decision to take the Company into administrative protection.

In addition, the Board directed the overall strategy for the Group, which during this period included the disposal of both the training ground at Twyford Avenue and the disposal of London Wasps Ltd. The Board has a schedule of specific matters reserved to it for approval.

The principal Board Committees are as follows:

Remuneration Committee

During the period, the Remuneration Committee comprised Chris Wright, Bob Collier and Ross Jones. The Committee's objective is to determine an overall remuneration package for the Executives sufficient to attract, motivate and retain high quality individuals, linking rewards to Company and personal performance.

The Remuneration Committee has considered the provisions of the Combined Code in determining the remuneration package for the forthcoming financial year. The remuneration package consists of a basic salary, benefits, share options, performance related bonuses and pensions.

Details of the Directors' remuneration and share options in the period under review appear on pages 23 to 25. In addition to their basic salary, the Executive Directors are entitled to performance related bonuses. The performance related bonuses are dependent upon attainment of a number of objectives including the teams' playing performance and the individual Director's performance in the achievement of certain financial and personal objectives. The Board as a whole determines the remuneration of the Non-Executive Directors. No Director votes on any proposal relating to his own remuneration.

Audit Committee

During the period, the Audit Committee comprised Nigel Butterfield, Nick Blackburn and Ross Jones. The Committee reviews the interim report and financial statements. These financial statements, aspects of the Group's accounting and internal control systems and statutory and regulatory compliance are discussed prior to their publication with the Group's Finance Director and external auditors.

Internal Control

The Directors are responsible for ensuring that the Group maintains a system of internal controls, including suitable monitoring procedures. The system is designed to ensure the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication, and any such system can only provide reasonable, not absolute, assurance against misstatement or loss. In assessing what constitutes reasonable assurance, the Directors have regard to materiality and to the relationship between the cost of and benefits from particular aspects of the control system.

The Group's current internal control monitoring procedures include:

- The Board meets at least six times a year and concentrates mainly on strategic issues and financial performance. The Group Executive Committee, which comprises Executive Directors and senior management, is chaired by the Group Chief Executive and meets at least twice a month to allow prompt decision making and communication of business issues.
- The Group is subject to an annual budget process, which requires forecasts to be produced for the following two years, and these are required to be updated periodically. Actual results and variances are regularly circulated to the Board for formal review and approval where appropriate.
- Major investment decisions involving capital or revenue expenditure including the purchase or sale of players' registrations are subject to approval by the Board.
- Regular reporting of legal, regulatory, insurance and accounting developments are made to the Board by appropriate Directors and Officers of the Group.
- Financial and operating controls and procedures are in place throughout the Group. These include general authorisation procedures and procedures to ensure the staging of events comply with local and national regulations.

- The Board and the senior management team are responsible for the identification and evaluation of key risks applicable to each part of the business. Relevant issues are discussed at Board Meetings or Group Executive Committee Meetings as appropriate.

On the retirement of Directors Wright, Butterfield, Levison, Collier, Hart and Montlake, only Blackburn, Davies and Jones were left as the Directors of the plc after the re-financing in May 2002.

Furthermore, it should be noted that as of 2 April 2001 when the Company entered administration the Standing Committees and Board meetings were suspended, and were replaced by regular meetings with Officers of BDO Stoy Hayward who were the Court appointed Administrators. These meetings took place at least weekly, and during the early periods of administration, bi-weekly.

Going Concern

The Directors have reviewed the Group's budget for the current year and outline projections for the subsequent year including cash flows and forecasts of headroom available against current borrowing facilities, together with other likely sources of cash generation. Following this review the Directors have formed a judgement that, at the time of approval of the financial statements, the Group does not have sufficient resources to continue operating in the foreseeable future without raising additional working capital. For this reason, the Directors are actively seeking to raise further capital to meet the shortfall. The directors are confident that the working capital requirement will be met and therefore consider it appropriate to prepare the financial statements on a going concern basis.

Post Balance Sheet Events

The details of these are included in note 27 to the accounts.

Policy on Payment of Creditors

The Company agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the suppliers. At this time the Company does not follow any code or statement on payment practice. At 31 May 2001 trade creditors as a ratio of purchases represents 78 days (2000: 55 days).

Auditors

Rothman Pantall & Co were appointed auditors to the Company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Annual General Meeting

Enclosed with this Annual Report is a notice for the Annual General Meeting, together with a letter from the Chairman explaining certain items of business to be transacted at that meeting.

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

P English

Paul English
Company Secretary
28 March 2003

Consolidated Profit and Loss Account

For the year ended 31 May 2001

	Note	2001 £'000	2000 (restated) £'000
Turnover			
- Continuing operations	2	**6,546**	5,776
- Discontinued operations	2	**2,333**	2,275
		8,879	8,051
Playing staff and matchday costs		**(10,233)**	(9,562)
Stadium and other direct operating costs		**(1,798)**	(1,649)
Amortisation of players' registrations		**(1,256)**	(1,431)
Cost of sales		**(13,287)**	(12,642)
Gross loss		**(4,408)**	(4,591)
Administrative expenses	4	**(3,456)**	(3,314)
Operating loss			
- Continuing operations	2	**(6,659)**	(6,883)
- Discontinued operations	2	**(1,205)**	(1,022)
		(7,864)	(7,905)
Profit on disposal of subsidiary undertaking		**2,500**	-
Profit on disposal of players' registrations		**(68)**	31
Profit on disposal of land and buildings		**510**	3,139
Loss on ordinary activities before interest and taxation		**(4,922)**	(4,735)
Interest receivable and similar income	7	**-**	40
Interest payable and similar charges	8	**(629)**	(638)
Loss on ordinary activities before taxation	3	**(5,551)**	(5,333)
Tax on loss on ordinary activities	9	**-**	-
Loss on ordinary activities after taxation		**(5,551)**	(5,333)
Dividends		**-**	-
Retained loss for the year	19	**(5,551)**	(5,333)
Loss per share	10	**(9.3p)**	(8.9p)
Diluted loss per share	10	**(9.2p)**	(8.8p)

There is no material difference between the loss before taxation and the retained loss for the year as stated above and their historical cost equivalents.

The notes on pages 20 to 35 form part of these financial statements.

Consolidated Balance Sheet
As at 31 May 2001

	Note	2001		2000	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12		**629**		1,488
Tangible assets	11		**15,299**		15,553
			15,928		17,041
Current assets					
Stocks	14	**38**		109	
Debtors	15	**941**		930	
Cash at bank and in hand		**154**		-	
		1,133		1,039	
Creditors: amounts falling due within one year	16	**(9,877)**		(6,977)	
Net current liabilities			**(8,744)**		(5,938)
Total assets less current liabilities			**7,184**		11,103
Creditors: amounts falling due after more than one year	17		**(1,036)**		(1,540)
Net assets			**6,148**		9,563
Capital and Reserves					
Called up share capital	18		**600**		600
Share premium account	19		**5,258**		5,258
Revaluation reserve	19		**3,220**		1,084
Profit and loss account	19		**(2,930)**		2,621
Equity shareholders' funds			**6,148**		9,563

These financial statements were approved by the Board on 28 March 2003 and were signed on its behalf by:

Ross Jones
Director

David Davies
Director

The notes on pages 20 to 35 form part of these financial statements.

Company Balance Sheet
As at 31 May 2001

	Note	2001		2000	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Tangible assets	11		**15,299**		15,553
Investments	13		**8,213**		10,873
			23,512		26,426
Current assets					
Stocks	14	**38**		109	
Debtors	15	**941**		928	
Cash at bank and in hand		**154**		-	
		1,133		1,037	
Creditors: amounts falling due within one year	16	**(20,118)**		(21,073)	
Net current liabilities			**(18,985)**		(20,036)
Total assets less net current liabilities			**4,527**		6,390
Creditors: amounts falling due after more than one year	17		**(1,036)**		(1,540)
Net assets			**3,491**		4,850
Capital and reserves					
Called up share capital	18		**600**		600
Share premium account	19		**5,258**		5,258
Revaluation reserve	19		**3,220**		1,084
Profit and loss account	19		**(5,587)**		(2,092)
Equity shareholders' funds			**3,491**		4,850

These financial statements were approved by the Board on 28 March 2003 and were signed on its behalf by:

Ross Jones
Director

David Davies
Director

The notes of pages 20 to 35 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 May 2001

	Note	2001		2000	
		£'000	**£'000**	£'000	£'000
Net cash outflow from operating activities	22		**(4,451)**		(6,280)
Returns on investments and servicing of finance					
Interest received		**-**		40	
Interest paid		**(505)**		(677)	
Interest element of finance lease rental payments		**-**		(4)	
Net cash outflow from returns on investment and servicing of finance			**(505)**		(641)
Taxation					
UK corporation tax repaid		**-**		359	
Tax repaid			**-**		359
Capital expenditure					
Payments to acquire tangible fixed assets		**(145)**		(488)	
Receipts from sales of tangible fixed assets		**-**		9,258	
Payments to acquire players' registrations		**(645)**		(989)	
Receipts from the sale of players' registrations		**39**		759	
Net cash inflow from capital expenditure			**(751)**		8,540
Cash inflow/(outflow) before financing			**(5,707)**		1,978
Financing					
Debts due within one year:					
New secured loans		**8,454**		3,150	
Repayment of secured loans		**(64)**		(2,639)	
New unsecured loan		**-**		449	
Repayment of unsecured loan		**(449)**		-	
Debt due beyond a year:					
New unsecured loan		**-**		899	
Capital element of finance lease rental payments		**(15)**		(14)	
			7,926		1,845
Decrease/(increase) in borrowings in the year	23		**2,219**		3,823

The notes on pages 20 to 35 form part of these financial statements.

Statement of Total Recognised Gains and Losses
For the year ended 31 May 2001

	Group	
	2001	2000
	£'000	£'000
Loss for the financial year	**(5,551)**	(5,333)
Unrealised surplus on revaluation of properties	**2,136**	-
Total recognised gains and losses in respect of the financial year	**(3,415)**	(5,333)

Reconciliation of Movements in Shareholders' Funds
For the year ended 31 May 2001

	Group	
	2001	2000
	£'000	£'000
Loss for the financial year	**(5,551)**	(5,333)
Dividends	**-**	-
	(5,551)	(5,333)
Other recognised gains and losses relating to the year	**2,136**	-
Net reduction in shareholders' funds	**(3,415)**	(5,333)
Opening shareholders' funds	**9,563**	14,896
Closing shareholders' funds	**6,148**	9,563

Notes to the Financial Statements

For the year ended 31 May 2001

1 Accounting policies

The Group's principal accounting policies, which have been applied consistently throughout the year, are as follows:

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The Directors have reviewed the Group's budget for the current year and outline projections for the subsequent year including cash flows and forecasts of headroom available against current borrowing facilities, together with other likely sources of cash generation. Following this review the Directors have formed a judgement that, at the time of approval of the financial statements, the Group does not have sufficient resources to continue operating in the foreseeable future without raising additional working capital. For this reason, the Directors are actively seeking to raise further capital to meet the shortfall. The directors are confident that the working capital requirement will be met and therefore consider it appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the results of Loftus Road plc and its subsidiary undertakings made up to 31 May 2001. The Company has taken advantage of the exemption under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account. The loss after taxation for the period includes a loss of £3,495,000 dealt with in the financial statements of the Company.

The subsidiary undertakings have been included in the financial statements using the acquisition method of accounting. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment.

Turnover

Turnover represents gate receipts, commercial income and other income exclusive of value added tax.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by annual equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	10%-20%
Motor Vehicles	-	25%
Fixtures & fittings	-	20%
Freehold buildings	-	2%
Freehold land	-	nil

Stocks

Stocks are stated at the lower of cost and net realisable value.

Player registrations

Fees payable to other clubs on the transfer of players' registrations together with associated costs are capitalised as intangible assets and are written off over the period of the relevant player's contract term. Payments or receipts that are contingent on future events are accounted for in the period that the events crystallising such payments or receipts have taken place.

Player signing-on fees

Signing-on fees are charged to the profit and loss account in the accounting period in which they become payable.

Deferred taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Leases

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their useful economic lives. The capital elements of future lease obligations are included in creditors. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Pension costs

The Company makes contributions on behalf of certain employees to a number of independently controlled pension funds. The pension cost charged in the period represents contributions payable by the Group to these pension funds.

2 Turnover and Operating loss

	2001 £'000	2000 £'000
Turnover		
Matchday receipts	**3,355**	3,598
Television and media	**3,049**	1,746
Sponsorship, merchandising and commercial income	**1,735**	2,282
Other	**740**	425
	8,879	8,051
Analysed as:		
QPR - Continuing operations	**6,001**	5,063
London Wasps - Discontinued operations	**2,297**	2,241
Retail and other - Continuing operations	**545**	713
Retail and other - Discontinued operations	**36**	34
	8,879	8,051
Operating loss		
Turnover	**8,879**	8,051
Cost of football activities - Continuing operations	**7,486**	6,992
Cost of rugby activities - Discontinued operations	**2,823**	2,490
Amortisation of players' registrations - Continuing operations	**1,235**	1,403
Amortisation of players' registrations - Discontinued operations	**21**	28
Stadium and matchday costs - Continuing operations	**2,326**	1,684
Stadium and matchday costs - Discontinued operations	**251**	268
Commercial, marketing & retail costs - Continuing operations	**244**	810
Commercial, marketing & retail costs - Discontinued operations	**178**	282
Other direct overheads - Continuing operations	**1,914**	1,770
Other direct overheads - Discontinued operations	**265**	229
Total costs	**16,743**	15,956
Operating loss	**(7,864)**	(7,905)
Profit on disposal of subsidiary undertaking	**2,500**	-
Profit on disposal of players' registrations	**(68)**	31
Profit on disposal of land and buildings	**510**	3,139
Loss on ordinary activities before interest and taxation	**(4,922)**	(4,735)

3. Loss on ordinary activities before taxation

	2001 £'000	2000 £'000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit – Company	**17**	21
Audit – Group (including Company)	**24**	28
Other services	**9**	20
Depreciation and other amounts written off tangible fixed assets:		
Owned	**551**	530
Leased	**10**	14
Amortisation of intangible fixed assets	**1,256**	1,431
Operating lease rentals:		
Land and buildings	**12**	19
Other	**85**	88
And after crediting:		
Rental income	**13**	14
Revenue grants receivable	**38**	64
Release of capital grants	**13**	13

4 Administrative expenses

	2001 £'000	2000 £'000
Directors' remuneration	**211**	266
Administrative salaries	**733**	764
Office and utilities costs	**1,000**	861
Depreciation	**561**	531
Commercial and marketing	**371**	539
Other	**580**	353
	3,456	3,314

5 Directors' remuneration

The remuneration of the Directors was:

	2001 £'000	2000 £'000
Directors' emoluments	**241**	232
Pension contributions	**4**	18
Amounts paid to third parties in respect of directors' services	**-**	32
	245	282

The remuneration disclosed above (excluding share options) includes the following amounts in respect of:

	Basic salaries	Benefits	Performance Related Bonus	**Total Emoluments**	Pension Contributions	Amounts paid to third parties in respect of directors' services	**Total**
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Chris Wright	-	-	-	-	-	-	-
Nick Blackburn	-	-	-	-	-	-	-
Nigel Butterfield	-	-	-	-	-	-	-
Bob Collier	-	-	-	-	-	-	-
Simon Crane*	17	1	4	**22**	1	-	**23**
Neil Duncanson*	-	-	-	-	-	-	-
Ross Jones	-	-	-	-	-	-	-
Charles Levison	-	-	-	-	-	-	-
Paul Hart	66	7	5	**78**	-	-	**78**
Ivor Montlake	-	-	-	-	-	-	-
David Davies**	115	26	-	**141**	3	-	**144**
	198	34	9	**241**	4	-	**245**

* reflects remuneration from 1 June 2000 to date of resignation

** reflects remuneration from date of appointment to 31 May 2001

Benefits represent the use of company cars and other benefits.

The pension costs charged in the year represent contributions payable by the Group to an independently controlled defined contribution pension fund.

Directors' share options

The Company operates a Share Option Scheme, which is not an Inland Revenue approved share option scheme, under which options to subscribe for the Company's shares have been granted to certain executives and employees.

At 31 May 2001, options under the Share Option Scheme had been granted over a total of 420,000 shares as follows:

	Exercise Price 72p	Exercise Price 11.5p	Total No of Options
At 1 June 2000	355,000	624,000	979,000
Granted during the year	-	-	-
Options lapsed	(125,000)	(434,000)	(559,000)
At 31 May 2001	230,000	190,000	420,000

The interests of the Directors in the Share Option Scheme are as follows:

	Date of grant	No of ordinary shares	Exercise Price	Exercise Period (from/to)
Nick Blackburn	2 December 1996	25,000	72p	Dec 1999 – Dec 2003
Nigel Butterfield	16 October 1996	25,000	72p	Oct 1999 – Oct 2003
Paul Hart	16 October 1996	50,000	72p	Oct 1999 – Oct 2003
	25 March 1999	100,000	11.5p	Mar 2002 –Mar 2006
Charles Levison	16 October 1996	75,000	72p	Oct 1999 – Oct 2003

The options are exercisable at the exercise price on the occurrence of the earlier of the following events provided the participant is at the relevant date an Officer of the Company:

a) a general offer being made for the entire issued share capital of the Company which is accepted by such number of shareholders as results in a change in control of the Company; or

b) the third anniversary of the relevant date of grant provided certain share performance criteria set by the Remuneration Committee are met.

Any unexercised options will lapse on the seventh anniversary of the date of grant. The share price at the end of the year was frozen at 3.75p with the highest and lowest share prices for the period being 12p and 2.75p respectively.

There were no gains on directors' share options in the year.

6 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year to 31 May 2001, analysed by category, was as follows:

	2001	2000
Players, managers, coaches and support staff	**120**	116
Commercial, marketing and retail staff	**8**	5
Stadium and maintenance staff	**17**	19
Administrative staff	**21**	25
Community projects	**6**	6
	172	171

The aggregate payroll costs of these persons (including directors) were as follows:

	2001 £'000	2000 £'000
Wages and salaries	**8,892**	8,558
Social security costs	**961**	958
Other pension costs	**223**	36
	10,076	9,552

7 Interest receivable and similar income

	2001 £'000	2000 £'000
Interest receivable	**-**	40
	-	40

8 Interest payable and similar charges

	2001 £'000	2000 £'000
Amounts payable on bank loans and overdrafts	**197**	461
Amounts payable on all other loans	**399**	168
Finance charges payable in respect of finance leases and hire purchase contracts	**1**	4
Other interest payable	**32**	5
	629	638

9 Tax on loss on ordinary shares

No taxation charge arises on the results of the current period and losses are available for relief against future profits for taxation purposes. Subject to Inland Revenue agreement, the cumulative tax losses available for relief amount to £22,050,000.

10 Loss per share

Losses per share are calculated with reference to the loss after taxation of £5,551,000 (2000 - £5,333,000) and on a weighted average number of Ordinary shares in issue of 59,954,998 (2000 – 59,954,998).

Diluted losses per share are calculated with reference to a weighted average number of Ordinary shares in issue of 60,508,081 (2000 – 60,639,917), the difference representing the equivalent number of shares that would be issued for no consideration if all outstanding share options were exercised.

11 Tangible fixed assets

	Land & Buildings £'000	Plant & Equipment £'000	Motor Vehicles £'000	Fixtures & Fittings £'000	Total £'000
Group and Company					
Cost or valuation at 1 June 2000	14,245	2,254	72	346	16,917
Additions	13	159	-	8	180
Disposals	(2,000)	-	(22)	-	(2,022)
Revaluation	1,820	-	-	-	1,820
Cost at 31 May 2001	**14,078**	**2,413**	**50**	**354**	**16,895**
Depreciation at 1 June 2000	180	903	53	228	1,364
Disposals	(10)	-	(17)	-	(27)
Depreciation charge for the year	187	305	10	72	574
Revaluation	(315)	-	-	-	(315)
Depreciation at 31 May 2001	**42**	**1,208**	**46**	**300**	**1,596**
Net Book Value					
At 31 May 2001	**14,036**	**1,205**	**4**	**54**	**15,299**
At 31 May 2000	14,065	1,351	19	118	15,553

The Loftus Road Stadium was valued by Lambert Smith Hampton, Chartered Surveyors, as at 28 February 2001 on a depreciated replacement cost (existing use) basis. The training ground at Twyford Avenue and the land and clubhouse at Wasps Football Club Ground at Sudbury were also valued by Lambert Smith Hampton as at 28 February 2001 on an open market value basis. The training ground at Twyford Avenue was sold on 31 May 2001. On a historical cost basis, land and buildings would have been included as follows:

	Group and Company 2001 £'000	Group and Company 2000 £'000
Original cost	12,244	13,311
Depreciation based on cost	(326)	(165)
	11,918	13,146

The net book value of land and buildings comprises:

	Group and Company 2001 £'000	Group and Company 2000 £'000
Freehold	13,836	13,915
Long leasehold	200	150
	14,036	14,065

Included in the total net book value of motor vehicles is £4,000 (2000: £14,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £10,000 (2000: £10,000).

12 Intangible fixed assets

	Group £'000
Cost	
At 1 June 2000	4,840
Additions	500
Disposals	(1,064)
At 31 May 2001	**4,276**
Amortisation	
At 1 June 2000	3,352
Charge for the year	1,256
Disposals	(961)
At 31 May 2001	**3,647**
Net Book Value	
At 31 May 2001	**629**
At 31 May 2000	1,488

Intangible fixed assets represent the cost of players' registrations.

13 Fixed asset investments

Investments held as fixed assets by the Company represent investments in subsidiary undertakings.

	£'000
At Cost	
At 1 June 2000	10,873
Disposals	(2,660)
At 31 May 2001	8,213

At 31 May 2001 the Company owned the following subsidiary undertaking:

	Nature of Business	Class of Share	Holding
The Queens Park Rangers Football & Athletic Club Limited	Provision of Football teams	Ordinary	100%

The above company is incorporated in the UK.

At an Extraordinary General Meeting of shareholders in Loftus Road plc on 18 May 2001, approval was given to sell the entire issued share capital of Wasps Rugby Football Club Limited to London Wasps Holdings Limited, a company controlled by Chris Wright. The agreement to complete this transaction became unconditional on 31 May 2001.

14 Stocks

	Group 2001 £'000	Group 2000 £'000	**Company 2001 £'000**	Company 2000 £'000
Goods for resale	**38**	109	**38**	109

15 Debtors

	Group 2001 £'000	Group 2000 £'000	**Company 2001 £'000**	Company 2000 £'000
Trade debtors	**249**	352	**249**	352
Transfer debtors	-	2	-	-
Other debtors	**40**	8	**40**	8
Prepayments and accrued income	**652**	568	**652**	568
	941	930	**941**	928

16 Creditors: amounts falling due within one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Bank loans and overdrafts	42	2,116	42	2,116
Shareholder's loan	5,454	2,000	5,454	2,000
Other loans	450	450	450	450
Obligations under finance leases and hire purchase contracts (see note 24)	-	15	-	15
Payments received on account	3	162	3	162
Trade creditors	1,271	779	1,271	779
Transfer creditors	30	175	-	-
Amounts owed to group undertakings	-	-	11,190	14,607
Taxation and social security	1,533	446	614	110
Other creditors	224	49	224	49
Accruals and deferred income	870	785	870	785
	9,877	6,977	20,118	21,073

The bank loans and overdrafts are secured by fixed and floating charges over the Group's properties and assets.

The shareholder's loan is secured by fixed and floating charges over the Group's properties and assets and is interest bearing. The shareholder's loan is subordinate to the bank loans and overdrafts.

The other loans are unsecured and interest free.

17 Creditors: amounts falling due after more than one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Bank loans and overdrafts	586	641	586	641
Other Loans	450	899	450	899
	1,036	1,540	1,036	1,540

Bank loans and overdrafts are repayable as follows:

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Within one year	42	2,116	42	2,116
Between one and two years	61	55	61	55
Between two and five years	224	202	224	202
After more than five years	301	384	301	384
	628	2,757	628	2,757

The bank loans and overdrafts are secured by fixed and floating charges over the Group's properties and assets.

The other loans are unsecured and interest free.

18 Called up share capital

	Company 2001 £'000	Company 2000 £'000
Authorised		
Equity: 74,999,999 Ordinary shares of 1p each	**750**	750
Non equity: one Preference share of 1p	**-**	-
	750	750
Allotted, called up and fully paid		
Equity: 59,954,998 Ordinary shares of 1p each	**600**	600
Non equity: one Preference share of 1p	**-**	-
	600	600

19 Reserves

Group

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 June 2000	5,258	1,084	2,621
Unrealised surplus on revaluation of properties	-	2,136	-
Retained loss for the year	-	-	(5,551)
At 31 May 2001	5,258	3,220	(2,930)

Company

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 June 2000	5,258	1,084	(2,092)
Unrealised surplus on revaluation of properties	-	2,136	-
Retained loss for the year	-	-	(3,495)
At 31 May 2001	5,258	3,220	(5,587)

There is a non-distributable element of the profit and loss account of £19,585,000, which only becomes distributable in the event that all creditors outstanding at 14 May 1999 are paid in full.

Non-equity interests in shareholders' funds are analysed by class of share as follows:

	2001 £'000	2000 £'000
One Preference share of 1p	-	-
Non-equity interests	-	-

The Preference share is held by the Trustees of Wasps Football Club. With effect from 7 June 2001, all rights attaching to the Preference share as laid down in the Company's Articles of Association have been surrendered.

20 Contingent liabilities

The terms of certain contracts for the purchase of players' registrations include contingent transfer fees payable. These contingent transfer fees are payable on the occurrence of certain future events such as the player concerned making a specified number of first team appearances or the attainment of various levels of international caps. There are similar contingent transfer fees receivable in respect of certain contracts for the sale of registrations of players previously employed. In practice not all of these contingent transfer fees will crystallise. At 31 May 2001 there is a maximum potential liability under contingent transfer fees payable of £132,000 in respect of first team appearances and £nil in respect of other events (2000 - £547,000 and £604,000 respectively).

In addition to the above, further transfer payments may be payable in the event that Queens Park Rangers attain promotion to the Premier League. At 31 May 2001 there is a potential liability of £158,000 in this respect (2000 - £341,000).

21 Commitments

(a) Capital commitments authorised and contracted for the Company and the Group at 31 May 2001 amounted to £87,000 (2000 - £nil).

(b) Annual commitments under non-cancellable operating leases at 31 May 2001 are as follows:

	2001		2000	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Operating leases which expire:				
Within one year	**35**	**5**	-	6
In the second to fifth years inclusive	**-**	**48**	-	53
	35	**53**	-	59

22 Reconciliation of operating loss to net cash outflow from operating activities

	2001	2000
	£'000	£'000
Operating loss	**(7,864)**	(7,905)
Amortisation charge	**1,256**	1,431
Depreciation charge net of release of capital grants	**561**	531
Decrease/(increase) in stocks	**71**	34
(Increase)/decrease in debtors	**(13)**	(85)
(Decrease)/increase in creditors	**1,538**	(286)
Net cash outflow from operating activities	**(4,451)**	(6,280)

23 Reconciliation of net cash flow to movement in net debt

	2001 £'000	2000 £'000
Decrease/(increase) in borrowing in the year	**2,219**	3,823
Cash (inflow)/outflow from increase/decrease in debt financing	**(7,941)**	(1,859)
Cash outflow from decrease in finance leases	**15**	14
Change in net debt resulting from cash flows	**(5,707)**	1,978
Non-cash reduction in shareholder's loan	**5,000**	-
Movement in net debt in the period	**(707)**	1,978
Opening net debt	**(6,121)**	(8,099)
Closing net debt	**(6,828)**	(6,121)

24 Analysis of net debt

	At 1 June 2000 £'000	Cash flow £'000	Other non cash changes £'000	At 31 May 2001 £'000
Cash at bank and in hand	-	154	-	154
Bank loans and overdrafts	(2,116)	2,129	(55)	(42)
Debt due after one year	(1,540)	449	55	(1,036)
Debt due within one year	(2,450)	(8,454)	5,000	(5,904)
Finance leases	(15)	15	-	-
Total	(6,121)	(5,707)	5,000	(6,828)

25 Financial Instruments

An explanation of the Groups objectives policies and strategies for holding and issuing financial instruments is set out in the financial review on page 10 under the heading 'Financial Instruments'.

The Group has taken advantage of the exemptions contained in FRS 13 and has not made numerical disclosures relating to short term debtors and creditors. The Group has no financial assets other than short-term debtors. All financial liabilities are denominated in sterling.

Liquidity and interest rate risk profile

The maturity of all financial liabilities is shown in the following tables, together with their associated interest rate risk:

2001

Financial liabilities maturing;	Floating rate £'000	Fixed rate £'000	Nil rate £'000	Total £'000
In one year or less on demand	5,454	-	-	5,454
In more than one year but not more than two years		-	900	900
In more than two years but not more than five years	-	-	-	-
In more than five years	628	-	-	628
	6,082	-	900	6,982

2000

Financial liabilities maturing;	Floating rate £'000	Fixed rate £'000	Nil rate £'000	Total £'000
In one year or less on demand	4,063	15	-	4,078
In more than one year but not more than two years	-	-	-	-
In more than two years but not more than five years	-	-	1,349	1,349
In more than five years	694	-	-	694
	4,757	15	1,349	6,121

The floating rate financial liabilities comprise bank overdrafts and loans and shareholder's loan bearing interest at rates based on the Barclays Bank base rate.

The nil rate financial liabilities comprise another loan which matured on 1 June 2002.

The Group has no undrawn committed borrowing facilities (2000 - nil). There is no material difference between the book values and fair values for financial liabilities.

26 Related party transactions

During the period under review Chris Wright has for no consideration guaranteed certain bank facilities of the Company amounting to £3,000,000. The maximum amount drawn down and utilised during the year in respect of these facilities was £3,000,000.

On 2 April 2001, under the terms of a guarantee dated 20 September 2000, Chris Wright provided additional funding of £1,903,515 to satisfy the outstanding overdraft bank facility.

During the financial year, Chris Wright has made loans to the Group as follows:

	£'000
Balance at 1 June 2000	2,000
Loans made during the year	8,454
Reduction on disposal of subsidiary undertaking	(2,500)
Reduction on disposal of Twyford Avenue training ground	(2,500)
Balance at 31 May 2001	5,454

The loans are interest bearing and interest of £399,000 was payable for the year.

In May 2002, £3,500,000 was paid in full and final settlement to Chris Wright against all outstanding loans and related interest (see note 27).

Charles Levison is a consultant with the Company's principal legal advisers, Harbottle & Lewis, who received fees in respect of general legal advice and advice on property matters during the year in the amounts of £222,668 plus VAT and £10,856 plus VAT respectively. The balance due to Harbottle & Lewis at 31 May 2001 amounted to £177,120.

During the year the Company maintained arrangements with Ticketmaster UK Limited, of which Nick Blackburn was a director, whereby Ticketmaster UK Limited sell tickets for rugby and football matches, retaining a booking fee from the customer for each transaction.

27 Post balance sheets events

On 2 April 2001 both Loftus Road plc and The Queens Park Rangers Football and Athletics Club Limited were made the subject of administration orders in the High Court. As a result of the acceptance of an offer of a £10 million loan from ABC Corporation Limited the High Court released both Loftus Road plc and The Queens Park Rangers Football and Athletics Club Limited from the administration orders on 27 May 2002. The loan is secured by way of a fixed charge over the Loftus Road Stadium and is to be repaid after ten years at a fixed interest rate for the first five years.

Chris Wright received £3,500,000 in part repayment of his outstanding loans and interest, and accepted that this payment was in full and final settlement of his entire creditor position. Chris Wright waived all his rights to the other monies owed to him (a total of £3,315,785) and released all four of his remaining fixed and floating charges over Loftus Road plc. He also procured the removal of the remaining bank charges over Loftus Road plc and the Loftus Road stadium.

Simultaneously with the re-financing, Chris Wright transferred for a nominal sum the majority of his shareholding in Loftus Road plc, amounting to 16,066,019 Ordinary Shares of 1p each (approximately 26.8% of the issued ordinary share capital of Loftus Road plc), to a specially incorporated nominee company, QPR Nominees Limited. QPR Nominees Limited holds these shares on trust for the sole benefit of Loftus Road plc.

The total cost of administration paid to BDO Stoy Hayward and Harbottle & Lewis was £790,318, of which £629,456 related to the period after 31 May 2001. In order to reduce costs a number of compromise payments were also agreed during the period of administration at a total cost of £589,180.

Since the year end, the registrations of Danny Shittu and Aziz Ben Askar have been purchased at a cost of £281,676, of which £250,000 was financed by a third party. In addition to registrations that were either terminated or not renewed, the registrations of Peter Crouch and Jermaine Darlington were sold for £1,250,000 and £200,000 respectively. Of the Peter Crouch transfer fee, £216,800 was payable to Tottenham Hotspur. Following Peter Crouch's transfer from Portsmouth to Aston Villa, a further £390,000 was received on completion of the transfer, with additional contingent receipts of £60,000 receivable based on future appearances.

Also since the year-end, an agreement has been made to groundshare with Fulham Football Club (1987) Limited at Loftus Road. The agreement covers both the 2002/03 and 2003/04 seasons, with Fulham having an option to terminate the agreement on one month's notice on the conclusion of the 2002/03 season.

Contracts were exchanged in December 2002 for the sale of the freehold and leasehold land at Sudbury for a total consideration of £255,000.

In December 2002, 2,461,846 Ordinary shares of 1p each were newly issued in Loftus Road plc to provide additional working capital.

28 Pensions

Several current or former employees of the Group are members of The Football League Pension & Life Assurance Scheme ("the Scheme"), a defined benefit scheme. The assets of the Scheme are held separately from those of the Group. The trustees of the Scheme announced their decision to wind up the Scheme as of 31 August 1999 as a result of a deterioration in its funding. Where such a scheme is wound up with a deficit, Section 75 of the Pensions Act 1995 requires participating employers to fund that deficit.

As a consequence, the Group is required to make further contributions (in proportion to past contributions made) towards eliminating this deficit. This amount of £171,000 (including interest of £29,000) has been provided for in the financial statements.

Contributions are also paid into individuals' private pension schemes. This pension cost during the period amounted to £81,000 (2000 - £36,000).

Independent auditors' report to the shareholders of Loftus Road plc

We have audited the financial statements of Loftus Road plc on pages 15 to 35 for the year ended 31 May 2001. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

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

Respective responsibilities of the Directors and Auditors

As described in the statement of directors' responsibilities on page 11 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the requirement for additional working capital to be made available. The financial statements have been prepared on a going concern basis, the validity of which depends upon this additional funding being raised. The financial statements do not include any adjustments that would result from a failure to obtain such funding. Details of the circumstances relating to this fundamental uncertainty are described in note 1 . Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 May 2001 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Rothman Pantall

Rothman Pantall & Co

28 March 2003

Chartered Accountants & Registered Auditors

Clareville House

26/27 Oxendon Street

London SW1Y 4EP