319736

Contents

Directors

Non-Executive

Chris Wright (54) (Non-Executive Chairman)

is Chairman of Chrysalis Group plc, the company that he founded shortly after graduating from university in the late 1960's. He is an enthusiastic, longstanding supporter of QPR.

Nick Blackburn (53)

has been Sales and Marketing Director of Ticketmaster UK Limited since January 1989.

Nigel Butterfield (51)

is Group Finance Director of Chrysalis Group plc, a post that he has held since its flotation in 1985.

Bob Collier (58)

was Joint Managing Director of Inter-Continental Hotels & Resorts having previously served on the Board of Trusthouse Forte Hotels Limited in London and ITT Sheraton in Boston, Massachusetts.

Neil Duncanson (38)

is Managing Director of an international television operation, Chrysalis Television Limited. He started his television career in ITV, first as a news journalist at Thames Television, and then as a producer/director before joining Chrysalis Television in 1992.

David Hudd (53)

a Chartered Accountant, he was a former partner with Price Waterhouse in London and has been Chairman of Finance of the Marylebone Cricket Club since 1990. He was Executive Chairman of Vardon plc, a listed leisure company until April 1998. He is Chairman of Forest Fencing (Holdings) Limited and Jigsaw Group Limited and a non-executive director of API Group PLC.

Charles Levison (56)

is Non-Executive Chairman of Sci Entertainment Group plc, a computer games company that is traded on AIM. He is also Deputy Chairman of Chrysalis Group plc and a Non-Executive Director of Dagenham Motors Group PLC. He is also engaged as a corporate strategy consultant to a number of clients of Harbottle & Lewis, Solicitors.

Mark Rigby (37)

is Chief Executive of Lambert Smith Hampton (West End) and a Director of Lambert Smith Hampton Group Limited, a leading international firm of property consultants.

Directors

Executive

Simon Crane (35) (Group Chief Executive)

was appointed to the Board on 28 July 1998. He joined Loftus Road plc from The Coca-Cola Company in Atlanta where he led Coke's use of football throughout the Middle East and Asia Pacific whilst overseeing Coca-Cola's global marketing investment in rugby, cricket and tennis. Prior to this he was Coca-Cola's Project Director for Euro '96. From 1991 to 1994 he was National Sponsorship Manager for Bass plc.

Paul Hart (33) (Finance Director and Company Secretary)

qualified as a Chartered Accountant with Touche Ross in 1991. He joined QPR in 1995 and was appointed Finance Director of QPR in May 1996. He was appointed to the Board of Loftus Road plc in September 1996.

Advisors and Shareholder information

Auditors

KPMG Audit Plc
PO Box 486
1 Puddle Dock
London EC4V 3PD

Legal Advisors

Harbottle & Lewis
Hanover House
14 Hanover Square
London W1R OBE

Stockbrokers and financial advisors

Peel Hunt & Company Limited
62 Threadneedle Street
London EC2R 8HP

Bankers

Barclays Bank Plc
27 Soho Square
London
W1A 4WA

Registrars and Transfer Office

Lloyds Bank Registrars
The Causeway
Worthing
West Sussex BN99 6DB
Telephone 01903 502541
Fax 01903 833429

Group Offices

Loftus Road plc
The Loftus Road Stadium
South Africa Road
London W12 7PA
Telephone 0181 743 0262
Fax 0181 740 2525

Registered Office

Hanover House
14 Hanover Square
London W1R OBE

Company Registration Number

3197756

Queens Park Rangers Football and Athletic Club Ltd.

Fax 0181 749 0994
HTTP://WWW.QPR.CO.UK

Wasps Rugby Football Club Ltd.

Fax 0181 740 2508
HTTP://WWW.WASPS.CO.UK

Shareholder information

The Loftus Road plc share price is quoted daily in The Financial Times, The Daily Telegraph and the London Evening Standard. In addition, the share price is available on The Financial Times City Line telephone service (0891 431497), charged at premium call rates.

Chairman's Statement

Results and Dividend

The Group recorded an operating loss of £5,402,000 (1997 - loss of £7,164,000) after accounting for net transfer fees payable of £199,000 (1997 - £3,556,000). This together with net interest payable of £161,000 (1997 - net interest receivable of £112,000) resulted in a loss before taxation of £5,563,000 (1997 - £7,052,000).

The results for 1997 effectively only covered 10 months from 5 August 1996 when the Group first commenced trading. As a result the comparative results included only 10 months costs but, due to the seasonal nature of the income, included substantially all of the income for the football and rugby playing seasons in the period to 31 May 1997. If the results for the corresponding period had included a full 12 months charge in respect of the annualised costs of the Group then it is estimated that the loss for 1997 would have been higher by approximately £1.63 million.

The loss per Ordinary Share amounts to 13.9 pence (1997 - loss of 20.1 pence).

The Directors do not recommend the payment of any dividend for the year under review (1997 – £nil).

Net Assets

Net assets as at 31 May 1998 amounted to £14,975,000 (1997 – £20,538,000) representing net assets per ordinary share of 37.5 pence (1997 – 51.4 pence). The Group's current policy continues to be that of not including player valuations in the balance sheet but to write off or take into income all transfer fees as incurred or received. As is the case with many other professional sports clubs we are reviewing the requirements and implications of Financial Reporting Standard 10 ("Goodwill and Intangible Assets") which will become effective for the new financial year to 31 May 1999, including the implications for the taxation of the results of the purchase and sale of players' contracts by organisations such as ourselves. The potential effect of this new Accounting Standard on the results of the Group is outlined in the Financial Review.

Since the year end, the registrations of Richard Ord (Sunderland), Ademole Bankole (Crewe), Nikki Bull (Aston Villa) and Chris Kiwomya have been purchased for £511,000 and the registration of Nigel Quashie has been sold (to Nottingham Forest) for an initial consideration of £2,000,000, which could rise to approximately £2,900,000 dependent upon the occurrence of certain future events, including appearances.

Operational Review

Football Activities

QPR recorded an increased loss of £3,067,000 (1997 - loss of £1,991,000) before transfers. Turnover for the year was £6,797,000 (1997 - £5,304,000). However, as outlined in my interim statement, 1997/98 represented the last year of our "parachute payment" from the FA Premier League. The parachute payment contributed approximately £1.9 million to turnover in 1998 and £1.0 million to turnover in 1997, with the additional increase in turnover arising from increased advertising, sponsorship and matchday income. As mentioned earlier the comparative results effectively contain only 10 months costs from acquisition in August 1996 and therefore do not include many costs such as players' annual sign on fees. If the results of QPR had taken into account a full 12 months charge in respect of such costs then it is estimated that QPR's loss for 1997 would have been higher by approximately £1.25 million.

I have discussed in my previous statements the Bosman ruling and in particular the effects on players' wages, our principal cost. In this changing climate, it is vital that QPR is able to secure the investment in its key players by retaining their services on a contract of appropriate tenure. In this connection an underlying annualised increase of 53% in renegotiating players' contracts was necessarily incurred in order to protect the ongoing value of such players' registrations. In addition there was a general 9% annualised increase in players' wages cost built into the players' contracts.

In cognisance of the above, investment in our youth policy remains a key focus for the future. In this connection I am pleased to report that QPR were one of 34 clubs to be granted a licence to run a Football Academy by the Football Association and The Football League. Traditionally QPR has built a reputation for developing talent from within, and the Academy represents a major part of our plans to continue to generate the first team players and Internationals of the future under the provisions of the "Charter for Quality" outlined by the Football Association. The performance of our youth sides in reaching the final of the Southern Junior Floodlit Cup and the quarter finals of the FA Youth Cup strengthens my belief that we will be launching our Academy from a strong existing foundation.

Chairman's Statement

Shareholders and supporters alike will I am sure join me in saying that the playing performance last season was very disappointing. As I reported previously the QPR Board concluded that changes in the football management were required and accordingly the contracts of Stewart Houston and Bruce Rioch were terminated in November 1997 and Ray Harford was appointed as manager. However a lack of consistency through the majority of the season meant that not only did QPR fail in its objective to achieve promotion to the FA Premier League but, despite some battling displays in the latter half of the season, the low level of games won meant that QPR were engaged in a battle to avoid relegation at the end of the season, and, in drawing 6 out of the last 7 games QPR's Nationwide Division 1 status was secured.

Regrettably the continuation of this inconsistent form into the current season led to Ray Harford and QPR parting company. Following an extensive search I am delighted to report that QPR has secured the services of Gerry Francis as Director of Football. This is a wide ranging role which includes responsibility for playing matters at every level at the club, and I am confident that the combination of Gerry's abilities as a manager and his determination to see QPR succeed should lead to a change in QPR's fortunes on the pitch.

Rugby activities

Wasps recorded a loss of £1,554,000 (1997 – loss of £1,110,000) before transfers. Turnover for the year was £2,190,000 (1997 - £1,595,000). As with QPR the results for 1997 covered only a 10 month period of trading from August 1996. If the results of Wasps were annualised to reflect a full 12 months charge it is estimated that Wasps' loss for 1997 would have been higher by some £0.26 million.

The strengthening of our sales and marketing organisation that I referred to last year directly contributed to an 85% increase in hospitality and commercial income during the year. However the unstructured domestic season has again hampered our efforts to properly promote Loftus Road as the venue of choice for families to watch world class rugby players in a modernised all seater stadium with facilities to meet customers' needs in the modern era. There were no home Wasps games for almost 2 months earlier in the season, yet in April we played four home fixtures with two of our arguably bigger and highly attractive fixtures (Newcastle and Leicester) being played midweek with evening kick-offs when such matches are logistically unattractive to family audiences. Despite this we were successful with our sales promotions for a number of our matches which generated a significant number of incremental spectators and for many of our matches were able to match the significantly publicised audiences attracted by clubs such as Saracens. Notwithstanding these efforts, the disjointed fixture list together with certain other factors including poor league performances, contributed to a reduction in our matchday income from that achieved in 1997. Against this background the increases in other income streams are all the more pleasing.

Underlying player costs for Wasps have increased by 21%, reflecting the full year effect of substantially all of the squad signing full time professional contracts.

Wasps' playing performances were mixed. Success in reaching the Tetley Bitter Cup Final and the quarter-final of the European Cup was tempered by only finishing ninth in the Allied Dunbar Premiership.

We have set about strengthening the squad for the coming season via the signings of Josh Lewsey (Bristol & England) and Fraser Walters (Bristol). We also place great emphasis on bringing through the younger players and we are currently working to put together the structure for a Rugby Academy to generate players from within for the future.

Commercial and operational activities

We have continued to focus our efforts on the matchday experience at Loftus Road. The new bar in the South Africa Road stand has been well utilised (particularly on rugby days) and the new sound system has added to the overall enjoyment of matches at Loftus Road. The new pitch system has exceeded our expectations and in the opinion of many observers represents one of the best surfaces for playing professional sport in the country. We remain committed to upgrading the facilities for the spectator and to this end are planning to introduce an additional quality bar area and are to introduce 3 further catering outlets within the stadium.

The Group's retail activities showed a 29% increase in turnover from last year. This in part reflected the launch of the new home and away kits for QPR but also an increase in leisurewear sales across the board. We are continuing our review of the ranges of both QPR and Wasps merchandise and are currently expanding the floor space within the Loftus Road Club Shop by some 35% to allow better presentation of and access to the products.

We have recently committed to purchasing a 'state of the art' integrated ticketing and retail system. This system will allow us to continue to improve our service to customers and will provide invaluable information to allow us to address customer needs and issues in an effective manner.

I am encouraged by season ticket sales to date which, in the case of QPR, at some 4,300 are at similar levels as at the same time in 1997 and, in the case of Wasps, at 1,200 are equivalent to sales in 1997 despite the prolonged absence of the fixture list.

Recently we announced a new sponsorship agreement for Wasps with Ericsson which, together with their existing sponsorship of QPR, has resulted in the first combined football and rugby club sponsorship in the UK. We are delighted that Ericsson have expanded their partnership with the Loftus Road group and we look forward to working with them to heighten the profiles of our respective brands and organisations in the coming year.

Capital Reconstruction

Shareholders will shortly be receiving a letter from the Board recommending a capital reconstruction of the Ordinary Share Capital of the Company. In essence this reconstruction will make certain changes to the nominal value of the Company's Ordinary Share Capital in order to enable the Group to issue shares for cash or other suitable consideration should the opportunity arise and your Board deem it in the best interests of the Company to do so. Whilst at the present time the Company has no plans to issue further Share Capital, the present market share price is significantly below the par value of the shares and this factor makes such issues prohibited. This represents a technical exercise to allow the Group greater flexibility for the future and has no bearing or impact on the net assets of the group or its market capitalisation and value to shareholders.

Board Structure and staff

I am pleased to welcome Simon Crane who joined us on 28 July 1998 as Group Chief Executive. Simon's experience as a marketeer gained at the Coca Cola Company and as an Army officer will be important in steering the Group in its objectives to maximise revenues in conjunction with decreasing costs over the coming year. Simon succeeds Stephen Oakley whom, on behalf of the Board, I would like to thank for his significant contribution during what has been a difficult time for the Group and wish him every success for the future.

During the past year the staff have continued to work tirelessly in further integrating the businesses whilst at the same time endeavouring to improve service to all customers. I take this opportunity to thank all the staff for their efforts.

Outlook

The coming year represents a difficult challenge for the Group. As I mentioned earlier the "parachute payment" from the FA Premier League has now ceased and this has accentuated the need to maximise revenue from existing sources and at the same time to generate revenue from new sources to make up for this shortfall. As foreshadowed in my Interim Statement we shall continue to review the cost base for the entire Group and determine where savings can be made, ever mindful of the need to ensure that our teams remain competitive. Given the nature of our cost base the achievement of both these objectives will need to be balanced over the medium term and I will report on progress in future reports.

We are continuing to work with the other Allied Dunbar Premiership One ("ADP1") Rugby Clubs to provide a structured season and in particular to provide a League which can deliver the most exciting rugby in the Northern Hemisphere. To this end we are supportive of the fixture list for the 1998/99 season which includes cross-border friendlies against the two leading Welsh clubs and view with dismay the absence of pro-active support for this initiative for this season by the relevant Rugby Authorities. We believe that, in principle, the RFU and certain other Unions share our vision for the future of British rugby and we urge the relevant Authorities to support and work closely with us to achieve a meaningful cross-border competition in the very near future. Such a competition should raise the profile of European rugby and, in turn, create additional revenues for the Clubs.

The ADP1 Rugby Clubs have been successful in opposing the RFU's application for immunity to register all of its agreements and contracts with the Office of Fair Trading. In a related submission, Wasps have, in conjunction with the other ADP1 Rugby Clubs, approached the European Commission in order to establish their ability to negotiate their own commercial rights in terms of broadcasting and major sponsorships for club rugby. Currently these rights are claimed to be vested with the RFU in accordance with current International Rugby Board rules. If the results of the submission are successful this will afford the clubs the opportunity to create more significant revenues in these areas.

Chairman's Statement

In my Statement of last October I said that we were reviewing our options in respect of our existing training facilities and stadium facilities. As part of this review your Board have reviewed the most cost effective way of providing training facilities to the two clubs whilst at the same time maximising the utilisation of our existing property assets. Accordingly in July 1998 we submitted an application for outline planning permission to develop 111 residential dwellings on approximately 7.5 acres of our freehold training ground facility in Sudbury, Middlesex, which essentially comprises the training areas and old matchday pitch used by Wasps. These development plans do not affect the existing clubhouse or certain other rugby pitches, which could continue to be used by the amateur rugby club. We intend in due course to resite the training activities of the professional playing staff of Wasps to another site.

As stated in previous reports an important part of the Group's ongoing strategy for the long-term future is to expand the Group's commercial base in order to lessen the dependence on success on the field. We have reviewed the potential for the future development of our existing stadium at Loftus Road but have reluctantly concluded that given the areas potentially available to us, a redevelopment at Loftus Road would not be cost effective and any resultant improvement in facilities would not be sufficient to enable us to meet our long term objective stated above. Accordingly we believe that the interests of the Group would be better served by continuing our ongoing search for a suitable site to the West of London, which would not only allow the development of a new stadium but also provide us with the many ancillary areas such as an indoor arena and other leisure related activities. There are many considerations in identifying such a new site, not least of which are location, access (including transportation) and related local issues. These considerations will require much research and consultation with the many interested parties including Local Authorities and our supporters. I envisage, therefore, that this project is likely to take very many months and I do not believe that I will be in a position to make any further statement on this matter in the near future.

Chris Wright
Chairman
16 October 1998

Financial Review

Trading Review

Turnover for the year was £9,756,000, some 30% higher than that for 1997. This does, however, reflect the increase in the FA Premier League "parachute payment". 1998 reflects the last year for which QPR is eligible for such a payment.

The underlying increases in turnover categories (including the effect of the increase in the parachute payment) are shown below:

	1998 £'000	1997 £'000
Matchday receipts	3,606	3,431
Television and media (Note 1)	1,545	1,241
Sponsorship, merchandising and commercial income	2,420	1,627
Other	252	229
FA Premier League parachute payment	1,933	969
	9,756	7,497

Note 1: Television and media income for 1998 includes Wasps European Cup TV revenue of £223,000 (1997 - £144,000). Wasps in conjunction with the other Allied Dunbar Premiership One Rugby Clubs have decided not to participate in the 1998/99 European Cup.

Whilst the results for 1997 only represent 10 months trading from 5 August 1996, substantially all of the Group's income arises within this period which reflects the playing seasons.

Our principal cost remains wages and salaries. As stated above the costs for 1997 reflect trading from August 1996, and as such exclude several players' signing-on fees, which are traditionally paid in July. Amending the 1997 figures to take into account the wages and salaries costs for June and July 1996 affords the following full year comparison:

	1998 £'000	1997 £'000
Total wage costs	9,824	8,424

This represents a 17% increase in costs between the years reflecting increased staff numbers as the two sports have become further integrated, and increases in players' contracts.

The net transfer fees payable figure of £199,000 (1997 - £3,556,000) was arrived at as follows:

	1998 £'000	1997 £'000
Purchase costs of players' registrations	4,320	3,940
Contingent transfer fees payable	599	250
Football League transfer levy	136	123
	5,055	4,313
Net sales proceeds from sale of players' registrations	(4,569)	(452)
Contingent transfer fees receivable	(287)	(305)
Net transfer fees payable	199	3,556

Financial Review

Contingent transfer fees payable and receivable reflect amounts paid or received in respect of either players attaining certain milestones (such as making a specified number of first team appearances or attaining international caps at various levels) or the League status of the team they represent. Such payments and receipts arise in respect of players previously purchased or sold.

Cash Flow and Funding

During the period there was a cash outflow from operating activities of £5,955,000 (1997 - £8,192,000). This cash outflow includes payments and receipts in respect of player transfers as well as net cash outflow in respect of the Group's other trading activities. This is summarised below:

	1998 £'000	1997 £'000
Net Cash outflow from trading activities before transfers	4,088	6,025
Net Cash outflow from transfers	1,867	2,167
Net Cash outflow from operating activities	5,955	8,192

The cash flow movements in respect of transfers of players' registrations are shown in the table below:

	At 1 June 1997 £'000	Sales/ (purchases) in period £'000	Cash (inflow)/ outflow in period £'000	At 31 May 1998 £'000
Transfer debtors	450	4,856	(3,967)	1,339
Transfer creditors	(1,223)	(5,055)	5,834	(444)
	(773)	(199)	1,867	895

Payments to acquire tangible fixed assets amounted to £515,000 in the year, which predominantly reflected the investment in the new pitch system, public address system and replacement seating in the Ellerslie Road stand. Grant funding of £131,000 was achieved against the expenditure on the public address system and replacement seating. During the close season the Group has invested a further £75,000 in upgrading the CCTV system within the Loftus Road Stadium as part of our continuing obligations under the Safety at Sports Grounds Act regulations.

The net cash outflow during the year has resulted in the Group having net bank borrowings of £4,266,000 at 31 May 1998. The Group currently operates under committed banking facilities provided by Barclays Bank Plc amounting to £6 million.

Capitalisation of players' purchase costs

The recently issued Financial Reporting Standard 10 ("FRS 10") ("Goodwill and Intangible Assets") requires that the intangible assets of a business are written off over their period of use in the business. This standard will become mandatory in relation to our accounts for the year ending 31 May 1999. In our business, the purchase costs of a player's registration represents an intangible asset, and a measure of the period of his use in the business could be deemed to be the length of his first contract. Writing off the purchase of players' registration costs would lead to an amortisation charge in each financial year covering the period of the players' first contract. In addition, players' registrations, like any other asset of the business, can be sold which would lead to a profit or loss on disposal.

Shown below is an interpretation of how implementation of FRS 10 would affect the Group's balance sheet and results:

	1998 £'000	1997 £'000
Balance Sheet		
Net Book Value of players' registrations	5,937	4,827
Profit & Loss Account		
Under FRS10		
Amortisation charge	(2,153)	(1,538)
Profit on disposal of players' registrations	3,067	209
Net profit/(loss) effect in period	914	(1,329)
As stated per accounts		
Net (loss) effect in period	(199)	(3,556)
Proforma increase in profit arising from the implementation of FRS10	1,113	2,227

The potential effect on profit in changing our current accounting policy in respect of the treatment of players' signing-on fees is not reflected in the analysis above.

It is important to recognise that players who are products of the youth system or who have come in on a free transfer will have no associated purchase cost in respect of their registrations. The net book value of players' registrations in the balance sheet reflects the purchase costs of players' registrations less accumulated amortisation, and not an estimate of the market value of the playing squads.

Taxation

There is no tax charge on the loss for the year. The tax losses arising in the year will be carried forward as available for relief against future profits.

Paul Hart
Group Finance Director
16 October 1998

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 16 to 30. The Directors do not recommend the payment of any dividend for the year ended 31 May 1998.

Principal Activities and Review of Business

The principal activities of the Company and the Group are the operation of a professional football club and a professional rugby club in England together with related commercial activities. The activities and performance of the Group are reported in the Chairman's Statement and the Financial Review.

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 1998*		At 31 May 1997	
	Ordinary Shares	Options	Ordinary Shares	Options
Chris Wright	10,170,000	-	10,100,000	-
Nigel Butterfield	15,000	25,000	15,000	25,000
Charles Levison	50,000	75,000	35,000	75,000
Mark Rigby	5,000	-	5,000	-
Bob Collier	14,000	-	14,000	-
Paul Hart	2,000	50,000	2,000	50,000
Nick Blackburn	7,000	25,000	7,000	25,000
Neil Duncanson	-	-	-	-
David Hudd	10,000	-	10,000	-
Simon Crane	-	-	n/a	n/a
Stephen Oakley	-	-	n/a	n/a
Clive Berlin	n/a	n/a	14,000	50,000
Alan Hedges	n/a	n/a	7,000	50,000
Geoff Huckstep	n/a	n/a	14,000	50,000

* or subsequent date of appointment if later

Stephen Oakley was appointed on 1 October 1997 and resigned on 28 July 1998. On 11 November 1997 Messrs. Berlin, Hedges and Huckstep retired as directors of the Company. Simon Crane was appointed on 28 July 1998.

Chris Wright is interested in a further 2,329,667 shares as a trustee of the 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. Mark Rigby and Bob Collier are the appointed representatives of the Trustees of Wasps Football Club, the holder of the preference share conveying rights as set out in the Articles of Association. In all other respects the interests of the Directors are unchanged since the year end.

Biographies of each of the Directors are shown on pages 2 and 3. Further details of options held by each Director at 31 May 1998 are shown in note 4 to the accounts.

With the exception of Simon Crane, none of the Directors' services are provided under arrangements which are terminable on more than twelve months' notice. Simon Crane's service contract is terminable on twelve months' notice effective from 28 July 1999.

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 22 September 1998, in addition to the interests of the Directors referred to above, the following holdings of Ordinary shares in excess 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
Mercury Asset Management	3,920,340	9.8
Trustees of Wasps Football Club	3,899,900	9.8
James Arbib	2,500,000	6.3
St. James Place Unit Trust Group	1,725,000	4.3
Jupiter Asset Management	1,704,423	4.3

Corporate Governance

The Directors support the recommendations of the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) and the Code of Best Practice on Directors' Remuneration published by the Study Group on Directors' Remuneration (the Greenbury Committee). During the year the Directors have incorporated further procedures and controls to comply with the Codes.

The Board currently comprises two Executives and eight Non-Executives and is responsible to the shareholders for the proper management of the Group. It meets regularly to review trading performance, ensure adequate funding and direct the overall strategy of the Group.

Internal Control

The Directors are responsible for ensuring that the Company 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.

Directors' Report

The Group's 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, 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.
- 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.

Remuneration Committee

The Remuneration Committee comprises Chris Wright, Bob Collier and David Hudd. The Committee's objective is to determine an overall remuneration package for the Executives sufficient to attract and retain high quality individuals. The Remuneration Committee have considered the provisions set out in section B of the Best Practice Provisions annexed to the Listing Rules 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 and 24. 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 remuneration of the Non-Executive Directors is determined by the Board as a whole. No Director votes on any proposal relating to his own remuneration.

Audit Committee

The Audit Committee comprises David Hudd, Nigel Butterfield and Nick Blackburn. The Committee reviews the interim and financial statements prior to their publication and discusses with the Group's external auditors these financial statements and certain aspects of the Group's accounting and internal control systems.

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 has sufficient resources to continue operating for the foreseeable future. For this reason, the Directors continue to prepare the financial statements on a going concern basis.

Post Balance Sheet Events

A number of player transactions have taken place since the year end. The details of these are included in note 23 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 31 May 1998 trade creditors as a ratio of purchases represents 55 days.

Year 2000 Compliance

The Directors have recognised the issues in respect of computer systems arising from the advent of year 2000. Accordingly, a committee has been established to identify and resolve any potential issues arising in respect of the Group. The associated costs have yet to be quantified but are not expected to be significant.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Group is to be proposed at the forthcoming 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

Paul Hart
Company Secretary
16 October 1998

Consolidated Profit and Loss Account

For the year ended 31 May 1998

	Note	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Turnover	2	9,756	7,497
Playing staff and matchday costs		(9,924)	(7,470)
Stadium and other direct operating costs		(1,418)	(920)
Cost of sales		(11,342)	(8,390)
Gross loss		(1,586)	(893)
Administrative expenses		(3,617)	(2,715)
Operating loss before net transfer fees payable		(5,203)	(3,608)
Net transfer fees payable		(199)	(3,556)
Operating loss	2	(5,402)	(7,164)
Other interest receivable and similar income	6	18	209
Interest payable and similar charges	7	(179)	(97)
Loss on ordinary activities before taxation	3	(5,563)	(7,052)
Tax on loss on ordinary activities	8	–	–
Loss on ordinary activities after taxation		(5,563)	(7,052)
Dividends		–	–
Retained loss for the year	16	(5,563)	(7,052)
Loss per share	9	(13.9)p	(20.1)p

There were no other recognised gains or losses during the year other than those recognised in the profit and loss account above.

There are no material differences between the results disclosed above and the results as given on an unmodified historical cost basis.

All activities derive from continuing operations

The notes on pages 21 to 30 form part of these financial statements.

Consolidated Balance Sheet

As at 31 May 1998

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Fixed assets					
Tangible assets	10		19,442		19,127
Current assets					
Stocks	12	95		118	
Debtors	13	2,699		1,933	
Cash at bank and in hand		-		2,456	
		2,794		4,507	
Creditors: amounts falling due within one year	14	(7,261)		(3,096)	
Net current (liabilities)/assets			(4,467)		1,411
Net assets			14,975		20,538
Capital and Reserves					
Called up share capital	15		19,985		19,985
Share premium account	16		3,209		3,209
Other reserve	16		4,396		4,396
Profit and loss account	16		(12,615)		(7,052)
Equity shareholders' funds			14,975		20,538

These financial statements were approved by the Board on 16 October 1998 and were signed on its behalf by:

Chris Wright
Director

Paul Hart
Director

The notes on pages 21 to 30 form part of these financial statements.

Company Balance Sheet

As at 31 May 1998

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Fixed assets					
Tangible assets	10		19,442		19,127
Investments	11		10,873		10,873
			30,315		30,000
Current assets					
Stocks	12	95		118	
Debtors	13	1,360		1,589	
Cash at bank and in hand		-		2,456	
		1,455		4,163	
Creditors: amounts falling due within one year	14	(21,367)		(18,120)	
Net current liabilities			(19,912)		(13,957)
Total assets less net current liabilities			10,403		16,043
Net assets			10,403		16,043
Capital and reserves					
Called up share capital	15		19,985		19,985
Share premium account	16		3,209		3,209
Profit and loss account	16		(12,791)		(7,151)
Equity shareholders' funds			10,403		16,043

These financial statements were approved by the Board on 16 October 1998 and were signed on its behalf by:

Chris Wright
Director

Paul Hart
Director

The notes on pages 21 to 30 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 May 1998

	Note	1998 £'000	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Net cash outflow from operating activities	19		(5,955)		(8,192)
Returns on investments and servicing of finance					
Interest received		18		207	
Interest paid		(110)		(95)	
Interest element of finance lease rental payments		(2)		(2)	
Net cash (outflow)/inflow from returns on investment and servicing of finance			(94)		110
Taxation					
UK corporation tax paid		-		(360)	
Tax paid			-		(360)
Capital expenditure					
Payments to acquire tangible fixed assets		(515)		(215)	
Net cash outflow from capital expenditure			(515)		(215)
Acquisitions					
Loan to purchase subsidiary undertakings		-		4,000	
Payments to acquire subsidiary undertakings		-		(8,423)	
Net overdrafts acquired with subsidiary undertakings		-		(1,092)	
Net cash outflow from acquisitions			-		(5,515)
Cash outflow before financing			(6,564)		(14,172)
Financing					
Issue of ordinary share capital		-		21,246	
Share issue costs		-		(502)	
Repayment of loan to purchase subsidiary undertakings		-		(4,000)	
Other loans due within one year:					
Repayment of secured loans		(84)		(27)	
Repayment of unsecured loans		(50)		(75)	
Capital element of finance lease rental payments		(24)		(14)	
			(158)		16,628
(Decrease)/increase in cash in the year	20		(6,722)		2,456

The notes on pages 21 to 30 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 May 1998

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Loss for the financial year	(5,563)	(7,052)
Dividends	-	-
	(5,563)	(7,052)
New share capital subscribed	-	19,985
Share premium net of expenses on issue of shares	-	3,209
Capital reserve arising on acquisition	-	4,396
Net (reduction)/addition to shareholders' funds	(5,563)	20,538
Opening shareholders' funds	20,538	-
Closing shareholders' funds	14,975	20,538

Notes to the Accounts

For the year ended 31 May 1998

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 and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements include the results of Loftus Road plc and its subsidiary undertakings made up to 31 May 1998. 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 financial year of the company was £5,640,000.

The subsidiary undertakings have been included in the accounts 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. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

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

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 land and buildings	-	nil

As the ground and buildings are maintained to standards laid down under the Safety of Sports Ground Act regulations, the Directors are of the opinion that any depreciation charge would be negligible and accordingly no depreciation has been charged.

Stocks

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

Transfer fees

Fees payable to and receivable from other football clubs on the transfer of players' registrations together with associated costs, are dealt with in the profit and loss account in the year in which the transfer takes place. Payments or receipts that are contingent on future events are recognised in the profit and loss account when 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 are 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.

Notes to the Accounts

For the year ended 31 May 1998

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 defined contribution pension funds. The pension cost charged in the year represents contributions payable by the Group to these pension funds.

Grants

Grants received in respect of capital expenditure are treated as deferred income and recognised in the profit and loss account over the expected useful lives of the related assets. Revenue grants are credited to income so as to match them with the expenditure to which they relate.

2 Turnover and Operating loss

Turnover comprises:

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Turnover		
Matchday receipts	3,606	3,431
Television and media	3,265	2,141
Sponsorship, merchandising and commercial income	2,633	1,696
Other	252	229
	9,756	7,497
Analysed as:		
QPR	6,797	5,304
Wasps	2,190	1,595
Retail and other	769	598
	9,756	7,497
Operating (loss)/profit		
QPR	(3,067)	(1,991)
Wasps	(1,554)	(1,110)
Retail and other	259	123
	(4,362)	(2,978)
Group central costs	(841)	(630)
Operating loss before net transfers	(5,203)	(3,608)
Net transfer fees payable	(199)	(3,556)
Operating loss	(5,402)	(7,164)

3 Loss on ordinary activities before taxation

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit - Company	20	20
Audit - Group (including Company)	27	27
Other services	22	32
Depreciation and other amounts written off tangible fixed assets:		
Owned	293	167
Leased	17	7
Operating lease rentals:		
Land and buildings	59	56
Other	162	182
Transfer fees payable	5,055	4,313
and after crediting		
Rental income	9	12
Revenue grants receivable	25	15
Release of capital grants	13	-
Transfer fees receivable	4,856	757

4 Directors' remuneration

The remuneration of the Directors was:

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Directors' emoluments	263	282
Pension contributions	9	3
Amounts paid to third parties in respect of directors' services	101	205
	373	490

Notes to the Accounts

For the year ended 31 May 1998

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

	Basic salaries	Benefits	Performance Related Bonus	Non-Executive fees	Total Emoluments	Pension Contributions	Amounts paid to third parties in respect of directors' services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chris Wright	-	-	-	-	-	-	96	96
Nick Blackburn	-	-	-	8	8	-	-	8
Nigel Butterfield	-	-	-	-	-	-	-	-
Bob Collier	-	-	-	8	8	-	-	8
Neil Duncanson	-	-	-	-	-	-	-	-
Paul Hart	50	5	-	-	55	-	-	55
David Hudd	-	-	-	10	10	-	-	10
Charles Levison	-	-	-	-	-	-	5	5
Stephen Oakley*	67	1	-	-	68	7	-	75
Mark Rigby	-	-	-	5	5	-	-	5
Geoff Huckstep**	20	2	-	-	22	2	-	24
Clive Berlin**	45	3	2	-	50	-	-	50
Alan Hedges**	34	3	-	-	37	-	-	37
	216	14	2	31	263	9	101	373

*reflects remuneration from date of appointment to 31 May 1998
**reflects remuneration from 1 June 1997 to date of resignation

The amount shown above as payable to Chris Wright was paid to Chrysalis Group plc under the terms of an agreement for the provision of his services. The amounts shown as payable to Charles Levison were paid to Clarion Media Europe Limited in respect of the provision of his services.

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

Benefits represent the use of company cars and other benefits.

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 senior employees. At 31 May 1998 options under the share option scheme have been granted over a total of 505,000 shares. The interests of the Directors in the share option scheme are as follows:

	At 31 May 1998	At 31 May 1997	Date of grant
Nick Blackburn	25,000	25,000	2 December 1996
Nigel Butterfield	25,000	25,000	16 October 1996
Paul Hart	50,000	50,000	16 October 1996
Charles Levison	75,000	75,000	16 October 1996

The options are exercisable at the placing price of 72 pence 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 18.5p with the highest and lowest share prices for the year being 59.5p and 17.5p respectively.

5 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year to 31 May 1998, analysed by category, was as follows:

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Players, managers, coaches and support staff	107	111
Commercial, marketing and retail staff	9	7
Stadium and maintenance staff	6	6
Administrative staff	28	27
Community projects staff	5	4
	155	155

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

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
	£'000	£'000
Wages and salaries	8,984	6,552
Social security costs	809	658
Other pension costs	31	24
	9,824	7,234

6 Other interest receivable and similar income

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Bank interest	16	200
Other	2	9
	18	209

7 Interest payable and similar charges

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Amounts payable on bank loans and overdrafts	169	17
Amounts payable on all other loans	8	78
Finance charges payable in respect of finance leases and hire purchase contracts	2	2
	179	97

8 Taxation

No taxation charge arises on the results of the current year and losses are available for relief against future profits for taxation purposes. The cumulative tax losses available for relief amount to £13,800,000.

Notes to the Accounts

For the year ended 31 May 1998

9 Loss per share

Loss per share has been calculated with reference to the loss after taxation of £5,563,000 (1997 - £7,052,000) and the weighted average number of Ordinary shares in issue of 39,969,999 (1997 - 35,076,270).

10. Tangible fixed assets

	Land & Buildings £'000	Plant & Equipment £'000	Motor Vehicles £'000	Fixtures & Fittings £'000	Total £'000
Group and Company					
Cost at 1 June 1997	17,600	1,435	57	209	19,301
Additions	16	503	52	58	629
Disposals	-	(6)	-	-	(6)
Cost at 31 May 1998	17,616	1,932	109	267	19,924
Depreciation at 1 June 1997	-	124	14	36	174
Disposals	-	(2)	-	-	(2)
Charge for the year	-	225	30	55	310
Depreciation at 31 May 1998	-	347	44	91	482
Net Book Value					
At 31 May 1998	17,616	1,585	65	176	19,442
At 31 May 1997	17,600	1,311	43	173	19,127

The net book value of land and buildings comprises:

	Group and Company 1998 £'000	Group and Company 1997 £'000
Freehold	17,390	17,374
Long leasehold	226	226
	17,616	17,600

Included in the total net book value of motor vehicles is £43,000 (1997 – £28,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £17,000 (1997 – £7,000).

11 Fixed asset investments

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

At cost	£'000
At 31 May 1997 and 31 May 1998	10,873

At 31 May 1998 the Company owned the following subsidiary undertakings:

	Nature of Business	Class of Share	Holding
The Queens Park Rangers Football and Athletic Club Limited	Provision of football teams	Ordinary	100%
Wasps Rugby Football Club Limited	Provision of rugby teams	Ordinary	100%

12 Stocks

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Goods for resale	95	118	95	118

13 Debtors

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Trade debtors	363	549	363	549
Transfer debtors	1,339	450	-	-
Other debtors	780	835	780	934
Prepayments and accrued income	217	99	217	106
	2,699	1,933	1,360	1,589

14 Creditors: amounts falling due within one year

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Bank loans and overdrafts	4,266	-	4,266	-
Other loans	49	183	49	183
Obligations under finance leases and hire purchase contracts (see note 21)	44	21	44	21
Payments received on account	312	177	312	177
Trade creditors	730	813	730	813
Transfer creditors	444	1,223	-	-
Amounts owed to group undertakings	-	-	14,788	16,247
Taxation and social security	306	248	68	248
Other creditors	344	122	344	122
Accruals and deferred income	766	309	766	309
	7,261	3,096	21,367	18,120

The bank loans and overdrafts are secured by fixed and floating charges over the Group's properties and assets.
Other loans are interest-bearing loans secured by fixed charges over one of the Group's properties.
Obligations under finance leases and hire purchase contracts are secured by related leased assets.

15 Called up share capital

	1998 £'000	1997 £'000
Authorised		
Equity: 44,999,999 Ordinary shares of 50p each	22,500	22,500
Non-equity: one Preference share of 50p	-	-
	22,500	22,500
Allotted, called up and fully paid		
Equity: 39,969,999 Ordinary shares of 50p each	19,985	19,985
Non-equity: one Preference share of 50p	-	-
	19,985	19,985

16. Share premium and reserves

	Group		
	Share premium account £'000	Other reserve £,000	Profit and loss account £'000
At 1 June 1997	3,209	4,396	(7,052)
Retained loss for the year	-	-	(5,563)
At 31 May 1998	3,209	4,396	(12,615)

	Company	
	Share premium account £'000	Profit and loss account £'000
At 1 June 1997	3,209	(7,151)
Retained loss for the year	-	(5,640)
At 31 May 1998	3,209	(12,791)

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

	1998 £'000	1997 £'000
One Preference share of 50p each	-	-
Non-equity interests	-	-

The Preference Share is held by the Trustees of Wasps Football Club conveying rights as laid down in the Company's Articles of Association.

17 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 1998 there is a maximum potential liability under contingent transfer fees payable of £410,000 in respect of first team appearances and £473,000 in respect of other events (1997 - £615,000 and £525,000 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 1998 there is a potential liability of £473,000 in this respect (1997 - £550,000).

The Group has a contingent liability in respect of bills of exchange receivable that have been discounted (with recourse) in respect of the sale of a player. At 31 May 1998 the maximum liability under this arrangement is £1,880,000.

18 Commitments

(a) Contracted capital commitments for the Company and the Group at 31 May 1998 were £nil (1997 - £439,000)

(b) Annual commitments under non-cancellable operating leases at 31 May 1998 are as follows:

Group and Company	1998		1997	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	16	90	65	38
In the second to fifth years inclusive	-	56	-	87
	16	146	65	125

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

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
Operating loss	(5,402)	(7,164)
Depreciation charge net of release of capital grants	297	174
Loss on disposal of fixed assets	4	-
Decrease/(increase) in stocks	23	(9)
Increase in debtors	(766)	(256)
Decrease in creditors	(111)	(937)
Net cash outflow from operating activities	(5,955)	(8,192)

20 Reconciliation of net cash flow to movement in net (debt)/funds

	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
(Decrease)/increase in cash in the year	(6,722)	2,456
Cash outflow from decrease in debt financing	134	102
Cash outflow from decrease in finance leases	24	14
Change in net funds resulting from cash flows	(6,564)	2,572
Loans acquired with subsidiaries	-	(285)
New finance leases	(47)	(35)
Movement in net funds in the year	(6,611)	2,252
Opening net (debt)/funds	2,252	-
Closing net (debt)/funds	(4,359)	2,252

Notes to the Accounts

For the year ended 31 May 1998

21 Analysis of net (debt)/funds

	At 1 June 1997 £'000	Cash flow £'000	Other non cash changes £'000	At 31 May 1998 £'000
Cash at bank and in hand/(bank loans and overdrafts)	2,456	(6,722)	-	(4,266)
Other loans due within one year	(183)	134	-	(49)
Finance leases	(21)	24	(47)	(44)
Total	2,252	(6,564)	(47)	(4,359)

22 Related party transactions

During the period under review Chris Wright has for no consideration guaranteed certain bank facilities of the Company amounting to £4,000,000. The maximum amount drawn down and utilised during the year in respect of these facilities was £3,000,000.

The transactions listed below were at arm's length.

During the year the company purchased video production services for £10,000 plus VAT from Chrysalis Sport Limited and sold certain advertising and other facilities at market values of £21,360 plus VAT to Heart of London Radio Limited, both companies being wholly owned subsidiaries of Chrysalis Group plc. Chris Wright is a director and a significant shareholder of Chrysalis Group plc and Nigel Butterfield and Charles Levison are also directors.

Charles Levison is a consultant with the Company's principal legal advisers, Harbottle & Lewis, who incurred fees in respect of general legal advice during the year in the amount of £92,381 plus VAT. The Company sold certain facilities to Harbottle & Lewis during the year totalling £15,700 plus VAT. The balance due to Harbottle & Lewis at 31 May 1998 amounted to £28,914.

Mark Rigby is a director of Lambert Smith Hampton, an international firm of property consultants, who incurred fees for professional advice during the year in the amount of £7,500 plus VAT. The balance due to Lambert Smith Hampton at 31 May 1998 amounted to £8,812.

During the year the Company paid £5,475 plus VAT for hire of facilities to London Forum Hotel Limited, a subsidiary of Inter-Continental Hotels & Resorts, a company of which Bob Collier was a director. The Company sold sponsorship and other facilities to London Forum Hotel Limited totalling £6,440 plus VAT during the year.

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

23 Post balance sheets events

Since the year end, the registrations of Richard Ord, Ademole Bankole, Nikki Bull and Chris Kiwomya have been purchased for £511,000 and the registration of Nigel Quashie has been sold for an initial consideration of £2,000,000, with additional contingent receipts of £912,500 based on the occurrence of certain future events.

24 Pensions

Certain staff of the Group are members of the Football League Limited Pension and Life Assurance Scheme, a defined contribution scheme. The assets of this scheme are held separately from those of the Group, being invested within insurance companies. Contributions are also paid into individuals' private pension schemes. The pension cost during the year amounted to £31,000 (1997 - £24,000).

Report of the auditors to the members of Loftus Road plc

We have audited the financial statements on pages 16 to 30.

Respective responsibilities of Directors and Auditors

As described on page 12 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 May 1998 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

KPMG Audit Plc

16 October 1998

KPMG Audit Plc
PO Box 486
1 Puddle Dock
London EC4V 3PD

Fixtures

Remaining Home Fixtures at Loftus Road – 1998/99 Season

QPR

	Wednesday 2 December (7.45pm)	Ipswich Town
	Saturday 5 December	Port Vale
	Saturday 12 December	Crewe Alexandra
	Saturday 26 December	Norwich City
1999	Saturday 9 January	Sunderland
	Saturday 30 January	Portsmouth
	Saturday 20 February	Watford
	Wednesday 3 March (7.45pm)	Oxford United
	Saturday 6 March	Wolverhampton Wanderers
	Saturday 20 March	Swindon Town
	Saturday 3 April	Huddersfield Town
	Saturday 10 April	West Bromwich Albion
	Saturday 24 April	Bradford City
	Sunday 9 May	Crystal Palace

Wasps

	Sunday 22 November	Sale
	Sunday 20 December	Cardiff
	Sunday 27 December	Gloucester
1999	Wednesday 6 January (7.45pm)	Saracens
	Sunday 7 February	Bath
	Sunday 14 March	London Irish
	Sunday 4 April	Northampton
	Sunday 18 April	Newcastle
	Sunday 2 May	London Scottish

All kick-offs 3.00pm unless stated.
Fixtures may be subject to change.

24hr Box office information 0181 740 0503