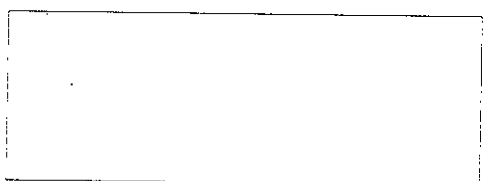
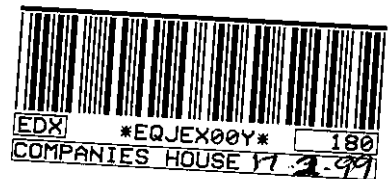


SEPARATOR SHEET



Company Number 3197736

LOFTUS ROAD PLC



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document and/or the action you should take you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

**Applications under the Open Offer may only be made on the enclosed Application Form which is personal to the person(s) named thereon and may not be assigned or transferred except to satisfy bona fide market claims as set out in this document.** If you have sold or transferred all of your existing Ordinary Shares in Loftus Road, please forward this document together with the Form of Proxy and Application Form to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded to or transmitted by you to persons resident in, or citizens of, any territory other than the United Kingdom. If you have sold or transferred only part of your holding of existing Ordinary Shares in Loftus Road, you are referred to the instructions regarding split applications set out in the accompanying Application Form.

This document, which comprises a prospectus, has been drawn up in accordance with the POS Regulations. A copy of this prospectus has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations. The Directors of Loftus Road, whose names appear on page 5 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for Loftus Road's compliance with the rules of AIM. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.


Peel Hunt, which is regulated by The Securities and Futures Authority Limited, is acting for Loftus Road, and no one else, in connection with the Open Offer and will not be responsible to any other person for providing the protections afforded to the customers of Peel Hunt, or for providing advice in relation to the Open Offer.

**APPLICATION HAS BEEN MADE TO THE LONDON STOCK EXCHANGE FOR THE NEW ORDINARY SHARES AND REDUCED ORDINARY SHARES TO BE ADMITTED TO AIM. AIM IS A MARKET DESIGNED PRIMARILY FOR EMERGING OR SMALLER COMPANIES TO WHICH A HIGHER INVESTMENT RISK THAN THAT ASSOCIATED WITH ESTABLISHED COMPANIES TENDS TO BE ATTACHED. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN SUCH COMPANIES AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.**

**THE RULES OF AIM ARE LESS DEMANDING THAN THOSE OF THE OFFICIAL LIST. IT IS EMPHASISED THAT NO APPLICATION IS BEING MADE FOR ADMISSION OF THESE SECURITIES TO THE OFFICIAL LIST. FURTHER, THE LONDON STOCK EXCHANGE HAS NOT ITSELF APPROVED THE CONTENTS OF THIS DOCUMENT.**

**YOUR ATTENTION IS DRAWN TO THE "RISK FACTORS" SET OUT IN PART IV OF THIS DOCUMENT.**

It is expected that Admission will become effective and that dealings in the new Ordinary Shares and the reduced Ordinary Shares will commence on 15 March 1999.

  
**Loftus Road plc**  
**Open Offer of**  
**19,984,999 new Ordinary Shares at 13p per share**  
**Capital Reorganisation**  
**and announcement of interim results**  
**for the six months ended 30 November 1998**

*Paul Hart*  
on behalf of Paul Hart  
*Paul*  
as attorney for CN Wright  
*Paul*  
as attorney for JSH Crane  
*Paul*  
as attorney for NCG Blackburn  
*Paul*  
as attorney for NRA Butterfield  
*Paul*  
as attorney for RB Collier

*Paul*  
as attorney for  
NA Duncanson  
*Paul*  
as attorney for ASR Jones  
*Paul*  
as attorney for CTC Levison  
*Paul*  
as attorney for MA Rigby

Shareholders who have registered addresses in, or are citizens or residents of, countries other than the United Kingdom, and persons (including, without limitation, nominees and trustees) who have a contractual or legal obligation to forward this document, are referred to the paragraph headed "Overseas Shareholders" in Part II of this document. The offer of new Ordinary Shares is not being made to any Overseas Shareholders for the reasons stated in such paragraph.

Notice convening an Extraordinary General Meeting of Loftus Road is set out at the end of this document. The Extraordinary General Meeting is to be held at Twyford Avenue Sports Ground, Twyford Avenue, Acton, London W3 on 12 March 1999 at 3.00 p.m. To be valid, the enclosed Form of Proxy should be duly completed and executed in accordance with the instructions thereon and returned as soon as possible and in any event so as to be received by the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, no later than 3.00 p.m. on 10 March 1999.

The latest time and date for application and payment in full for the new Ordinary Shares offered under the Open Offer is 3.00 p.m. on 10 March 1999. The procedure for application and payment is set out in Part II of this document and in the Application Form.

## CONTENTS

	<i>Page</i>
<b>Definitions</b>	3
<b>Part I Letter from the Chairman</b>	5
<b>Part II Letter from Peel Hunt</b>	13
<b>Part III Financial information on Loftus Road</b>	21
<b>(a) Unaudited interim accounts for the six months ended 30 November 1998</b>	21
<b>(b) Financial information for the year ended 31 May 1998</b>	28
<b>Part IV Risk factors</b>	42
<b>Part V Additional information</b>	44
<b>Notice of Extraordinary General Meeting</b>	61

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<b>1999</b>
Record Date for the Open Offer	5 February
Publication date of this document and date of despatch of Application Forms	17 February
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 8 March
<b>Latest time and date for receipt of Forms of Proxy</b>	<b>3.00 p.m. on 10 March</b>
<b>Latest time and date for receipt of completed Application Forms and payment in full in respect of the Open Offer</b>	<b>3.00 p.m. on 10 March</b>
Extraordinary General Meeting	3.00 p.m. on 12 March
Admission effective and dealings commence in the new Ordinary Shares and in the reduced Ordinary Shares	15 March
CREST accounts credited	15 March
Despatch of definitive certificates for new Ordinary Shares	22 March

## DEFINITIONS

The following definitions apply throughout this document, the Application Form and the Form of Proxy unless the context otherwise requires:

"Admission"	the admission to trading on AIM of the new Ordinary Shares and the reduced Ordinary Shares
"Act"	the Companies Act 1985 (as amended)
"AIM"	the Alternative Investment Market of the London Stock Exchange
"Application Form"	the personalised application form which accompanies this document, for use by Qualifying Shareholders in relation to the Open Offer
"Capital Reorganisation"	the proposed reorganisation and reduction of the Company's share capital
"City Code" or "Code"	The City Code on Takeovers and Mergers
"Company" or "Loftus Road"	Loftus Road plc
"CREST"	the relevant system in respect of which CRESTCo Limited is the operator
"CREST Regulations"	The Uncertificated Securities Regulations 1995
"Directors" or "Board"	the directors of Loftus Road
"EGM Notice"	the notice of the Extraordinary General Meeting set out at the end of this document
"Enlarged Issued Share Capital"	the Ordinary Shares in issue following completion of the Open Offer
"existing Ordinary Shares"	the ordinary shares of 50p each in the capital of the Company in issue at the date of this document
"Extraordinary General Meeting"	the extraordinary general meeting of the Company, convened by the EGM Notice
"Form of Proxy"	the enclosed form of proxy for use in connection with the Extraordinary General Meeting
"Group" or "Loftus Road Group"	the Company and its subsidiary undertakings
"Loan Agreement"	the conditional agreement dated 16 February 1999 between (1) the Company and (2) Mr Wright, the principal terms of which are summarised in paragraph 9(e) of Part V
"London Stock Exchange"	London Stock Exchange Limited
"Mr Wright"	Christopher Norman Wright
"new Ordinary Shares"	the new ordinary shares of 1p each in the capital of the Company to be issued pursuant to the Open Offer
"Non-Voting Shares"	the non-voting ordinary shares of 49p each in the capital of the Company proposed to be created by the sub-division of each existing Ordinary Share and each unissued ordinary share of 50p into one ordinary share of 1p and one non-voting ordinary share of 49p and the preference share of 50p into one preference share of 1p and one non-voting ordinary share of 49p
"Official List"	the Official List of the London Stock Exchange

“Open Offer”	the conditional invitation by Peel Hunt, on behalf of the Company, to Qualifying Shareholders to apply for 19,984,999 new Ordinary Shares on the terms and subject to the conditions set out in the letter from Peel Hunt contained in Part II and the enclosed Application Form
“Open Offer Agreement”	the conditional agreement dated 17 March 1999 and made between (1) the Company, (2) Mr Wright and (3) Peel Hunt relating to the Open Offer, the principal terms of which are summarised in paragraph 9(g) of Part V
“Open Offer Price”	13p per new Ordinary Share
“Optionholders”	holders of outstanding options granted under the Share Option Scheme
“Ordinary Shares”	the new Ordinary Shares and the reduced Ordinary Shares
“Overseas Shareholders”	holders of existing Ordinary Shares on the Record Date who have registered addresses in, or who are citizens or residents of, countries outside the United Kingdom
“Panel”	the Panel on Takeovers and Mergers
“Peel Hunt”	Peel, Hunt & Company Limited
“POS Regulations”	the Public Offers of Securities Regulations 1995
“Preference Shareholder”	the holder of the preference share of 50p in the capital of the Company in issue at the date of this document
“QPR”	The Queens Park Rangers Football and Athletic Club Limited
“Qualifying Shareholders”	Shareholders on the register of members of the Company on the Record Date other than Overseas Shareholders
“Record Date”	the close of business on 5 February 1999
“reduced Ordinary Shares”	the ordinary shares of 1p each in the capital of the Company proposed to be created by the sub-division of each existing Ordinary Share and each unissued ordinary share of 50p into one ordinary share of 1p and one non-voting ordinary share of 49p
“Related Party Arrangements”	the Loan Agreement and the Open Offer Agreement
“Related Party Resolutions”	the resolutions numbered 4, 5 and 6 in the EGM Notice
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting
“Share Option Scheme”	the Loftus Road plc 1996 Share Option Plan dated 16 October 1996 the principal rules of which are summarised in paragraph 7 of Part V
“Shareholders”	holders of existing Ordinary Shares
“subsidiary undertaking”	the meaning given to it in section 258 of the Act
“Wasps”	Wasps Rugby Football Club Limited

References to page numbers, paragraphs and Parts are references to page numbers, paragraphs and Parts in this document, unless the context requires or indicates otherwise.

**PART I**  
**LETTER FROM THE CHAIRMAN**

**LOFTUS ROAD PLC**

*(Incorporated and registered in England and Wales with Reg. No. 3197756)*

*Directors:*

Christopher Norman Wright (*Non-executive Chairman*)  
John Simon Hugh Crane (*Chief Executive*)  
Paul Andrew Hart (*Finance Director*)  
Nicholas Graham Goddard Blackburn (*Non-executive Director*)  
Nigel Robert Adamson Butterfield (*Non-executive Director*)  
Robert Bryan Collier (*Non-executive Director*)  
Neil Alexander Duncanson (*Non-executive Director*)  
Andrew Stewart Ross Jones (*Non-executive Director*)  
Charles John Cuthbertson Levison (*Non-executive Director*)  
Mark Anthony Rigby (*Non-executive Director*)

*Head Office:*

The Loftus Road Stadium  
South Africa Road  
London  
W12 7PA

17 February 1999

*To Shareholders and to the Preference Shareholder and, for information only, to Optionholders*

Dear Shareholder,

**Introduction**

The Company today announced that it proposes to raise up to approximately £2.6 million, (£2.3 million net of expenses), by way of an Open Offer of 19,984,999 new Ordinary Shares at 13p per share on the basis of one new Ordinary Share for every two existing Ordinary Shares held on the Record Date. The proceeds of the issue will be used to provide the Group with additional working capital and allow for the necessary reduction of costs as described further below. I have agreed to fully underwrite the Open Offer and also to make a loan available to the Company of £1.4 million.

The Company also announced its intention to implement a reorganisation and reduction of its share capital to permit the Open Offer to take place. The Open Offer is conditional, *inter alia*, upon the passing of the Resolutions. The purpose of this document is therefore to provide you with details of the Open Offer, the Capital Reorganisation and the Loan Agreement, and to explain why they are being proposed by your Board and to seek your approval of the Resolutions.

Your Board also announced today the Company's unaudited interim results for the six months ended 30 November 1998.

**Unaudited interim results and current trading**

The interim financial information, included in section (a) of Part III, has been prepared in accordance with the requirements of Financial Reporting Standard 10 – Goodwill and Intangible Assets ("FRS 10"). The adoption of FRS 10 results in a change in accounting policy in respect of the cost of players' contracts. Fees payable to other clubs on the transfer of players' registrations together with the associated costs are capitalised as intangible assets and are written off over the period of the relevant players' first contract. This differs from the previous policy under which costs were written off immediately to the profit and loss account. Accordingly, the unaudited profit and loss account and cash flow statement for the six months ended 30 November 1997 and the audited profit and loss account and cash flow statement for the year ended 31 May 1998 and the unaudited balance sheet at 30 November 1997 and the audited balance sheet at 31 May 1998 have each been restated in section (a) of Part III to reflect the new accounting policy.

The financial information contained within section (b) of Part III has been extracted without material adjustment from the published audited consolidated accounts of the Company and its

subsidiary undertakings for the year ended 31 May 1998. This financial information has not been restated to reflect the new accounting policy referred to above.

The Group recorded a loss before interest and tax for the six months ended 30 November 1998 of £3,617,000 (1997 – loss of £3,610,000). This, together with net interest payable of £252,000 (1997 – £56,000), resulted in a loss before taxation of £3,869,000 (1997 – £3,666,000).

Turnover for the period was £2,805,000 (1997 – £4,313,000), the reduction being primarily due to the reduction in television income, as anticipated in my statement of 16 October 1998, 1997 being the last year in which QPR was entitled to a “parachute payment” from the FA Premier League.

The loss per share amounts to 9.7 pence (1997 – loss of 9.2 pence). The Directors do not propose the payment of an interim dividend (1997 – £nil).

Net assets as at 30 November 1998 amounted to £16,621,000 (1997 – £20,800,000) representing net assets per existing Ordinary Share of 41.6 pence (1997 – 52.0 pence). Since 30 November 1998 two player registrations have been acquired and one sold for net proceeds of £1,190,000 (before associated costs).

The unaudited interim results for the six months ended 30 November 1998 are set out in full in section (a) of Part III.

### **Operational review**

#### *(a) Football activities*

During the six months to 30 November 1998, QPR recorded a loss, before the effects of player trading, of £3,515,000 (1997 – £2,428,000). Turnover was £1,754,000 (1997 – £3,039,000). The reduction in turnover was primarily as a result of the loss of the “parachute payment” from the FA Premier League and from lower attendances due to the poor performance of the team prior to the appointment of Gerry Francis as Director of Football. I am pleased to report that, since Gerry’s arrival, QPR has enjoyed a significant improvement in a number of areas. Commercial sales have increased, attendances have risen (with 17,444 attending the recent drawn home game with League leaders Sunderland) and QPR’s results on the field (after an initial settling in period) have significantly improved (despite the limited financial resources within which Gerry has had to operate). Ian Dowie is acting as player/coach and QPR has acquired the services of Ludek Miklosko, after a successful loan period, as first team goal-keeper, and Tim Breacker, an experienced Premiership defender, and has sold Mike Sheron. In addition, Gerry has brought into the first team the exciting youth player Richard Langley, although he is unfortunately currently out of action due to injury.

The Directors hope that the improved results on the field which QPR has enjoyed will continue for the remainder of the season and that they can continue to build for the future on a base of successful youth development. The Board intends to improve the squad, subject to financial resources, by acquiring players on free transfers and players from the lower leagues. However, the Board anticipates that, as long as QPR remains outside the FA Premier League, it will need to be a net seller of players.

#### *(b) Rugby activities*

During the six months to 30 November 1998 Wasps recorded a loss of £831,000 (1997 – £862,000). Turnover was £778,000 (1997 – £863,000). Wasps’ ability to generate greater revenue has continued to be affected by the problems of the game’s administration. The fixture list for the season was not known until a very short time before the beginning of the season and was complicated by friendly games against Cardiff and Swansea. Disputes continue between the Rugby Football Union (“RFU”) and the International Rugby Board and, despite an excellent spectacle on the field, both at club and international level, the poor press image of a game at war with itself has hindered Wasps’ promotional efforts. We nevertheless remain hopeful, with a new Chief Executive at the RFU and a new Chairman at English First Division Rugby Limited, that a properly planned season can be achieved in good time for next season. It is hoped that this will include Wasps’ participation in a European competition to build on the anticipated increased public interest in rugby arising from the Rugby World Cup, to be held in October/November 1999.

Wasps’ results and attendances this season have generally been encouraging. The team is currently 5th in the Allied Dunbar Premiership, having beaten Saracens at Watford and League leaders

Leicester at Loftus Road. In addition, 9,526 spectators attended Wasps' recent game against Bath at Loftus Road and witnessed Wasps inflict Bath's heaviest ever Premiership defeat. Wasps have also reached the quarter-finals of the Tetley's Bitter Cup where they face London Irish at Loftus Road on Sunday 28 February 1999. A number of Wasps' younger players have become regular first team players this season, demonstrating the success of our youth development policy.

### **Training grounds**

As I reported in my statement of 16 October 1998, we submitted an application for outline planning permission in July 1998 to develop part of the Group's land at Sudbury for residential use. This application was heard and rejected by the planning committee of the London Borough of Brent on 13 January 1999, despite the recommendation of the planning officers that permission be granted. Having taken advice from counsel, the Group is preparing an appeal, which it anticipates will be determined within the next twelve months. Meanwhile the Company has received strong indications of interest in the land which it intends to pursue once the planning matter has been resolved.

In order to free up the land at Sudbury for sale, the Company has agreed to acquire the 24 acre freehold site of the Twyford Avenue Sports Ground in Acton, West London, for a consideration of £1 million. The acquisition of the Twyford Avenue Sports Ground, the current training ground for QPR (under a licence from BG plc), will, in the future, generate net financial benefits to the Group and will provide training facilities for both QPR and Wasps. This is in line with the Company's strategy of operating two sports teams from shared facilities. Completion of the acquisition of the Twyford Avenue Sports Ground will take place on 11 March 1999.

This acquisition will, in part, be funded by the loan facility described in paragraph 9(f) of Part V.

### **Outlook**

During the last few months the Group has demonstrated that, with its new management team, and despite limited financial resources, it can have success on the field both in rugby and in football. The management continues to explore ways of operating more efficiently, while striving to maintain and, where possible, improve the overall facilities and service to our customers. In particular the Board recognises the need to generate non-playing related income from its facilities. As I said in my statement of 16 October 1998, the Board believes that the current facilities are not best suited for maximising this revenue stream and is continuing the long term process of investigating the possible relocation to a new site to the west of London.

### **Background to and reasons for the Open Offer**

At the time of the Company's flotation in October 1996, the Company raised approximately £11.9 million (after expenses) in order to repay debt incurred on the acquisition of QPR and Wasps and to provide working capital and to continue the development of the Group.

From the date of the Company's incorporation to 30 November 1998 the Group has incurred cumulative losses of £11.0 million and there has been a net cash outflow of some £6.8 million.

The Group incurred significant wage commitments in respect of players signed with a view to achieving promotion for QPR into the FA Premier League and to secure the services of certain members of the Wasps playing squad. In view of this, in conjunction with the loss of the "parachute payment" from the FA Premier League, the Group has embarked on the process of reducing its wage bill and certain other costs, without jeopardising its ability to field competitive teams.

The purpose of the proposed fundraising is therefore to provide additional working capital for the Group and to allow the necessary reduction in costs to proceed on a planned basis.

### **Details of the Open Offer**

Loftus Road proposes to raise up to approximately £2.3 million, net of expenses, by way of an open offer of 19,984,999 new Ordinary Shares at 13p per share.

Qualifying Shareholders will be given the opportunity to subscribe under the Open Offer for the new Ordinary Shares at a price of 13p per share, payable in full on application, up to a maximum entitlement calculated on the following basis:

**one new Ordinary Share for every two existing Ordinary Shares**



held on the Record Date. Qualifying Shareholders will receive with this document an Application Form containing details of their entitlement to subscribe for new Ordinary Shares. Qualifying Shareholders may apply for any whole number of new Ordinary Shares up to their maximum entitlement. Entitlements to new Ordinary Shares will be rounded down to the nearest whole number of new Ordinary Shares. The fractional entitlements which would otherwise have arisen will not be allotted to Qualifying Shareholders but will be aggregated and subscribed by me under the Open Offer Agreement.

The Open Offer is not a rights issue and new Ordinary Shares not applied for under the Open Offer will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offer.

The new Ordinary Shares to be issued pursuant to the Open Offer will, when fully paid, rank *pari passu* in all respects with the reduced Ordinary Shares.

The Open Offer is conditional upon passing of the resolutions numbered 1, 2, 4, 5 and 6 in the EGM Notice, upon Admission (by no later than 15 March 1999, or such later time and/or date, being no later than 31 March 1999, as the Company and Peel Hunt may agree) and the Open Offer Agreement becoming unconditional in all respects and not being terminated in accordance with its terms. Application has been made to the London Stock Exchange for the new Ordinary Shares to be admitted to trading on AIM. It is expected that the new Ordinary Shares will be so admitted and that dealings will commence on 15 March 1999.

I have irrevocably undertaken to take up in full my entitlement under the Open Offer (representing a total of 5,085,000 new Ordinary Shares), giving me a subscription commitment of £661,050. The other Directors who are also Shareholders have given irrevocable undertakings to subscribe for a further 446,500 new Ordinary Shares under the Open Offer. I have agreed to underwrite the balance of 14,453,499 new Ordinary Shares, giving me a maximum underwriting commitment of £1,878,955.

I have also agreed, pursuant to the Loan Agreement, to lend the Company £1.4 million. In addition, if the working capital which is otherwise available to the Group proves to be insufficient for its anticipated requirements, I have agreed that I will, until at least 31 August 2000, provide to the Company any necessary financial support within the framework of the bases on which the working capital statement in paragraph 12 of Part V has been made.

As a result of my interest therein, each of the Open Offer Agreement and the Loan Agreement constitutes a related party transaction for the purposes of the rules of AIM. These rules require the Company to make an appropriate announcement in relation to a related party transaction. In addition, the Directors (other than myself), consider it appropriate to obtain shareholder approval for each agreement. Accordingly the Open Offer Agreement and the Loan Agreement have been entered into, conditional on approval by Shareholders of the respective Related Party Resolutions at the Extraordinary General Meeting.

Further details of the Loan Agreement and the Open Offer Agreement are set out in paragraphs 9(e) and 9(g) of Part V.

Further details of the Open Offer, including the procedure for application and payment, are set out in the letter from Peel Hunt in Part II.

#### **Overseas shareholders**

The Open Offer is not being made to persons who have a registered address in, or are a citizen or a resident of, a country other than the United Kingdom, or hold existing Ordinary Shares for the benefit of such a person. The attention of such persons is drawn to the paragraph headed "Overseas Shareholders" in Part II.

#### **Taxation**

Certain information on the current United Kingdom taxation of income, capital gains, stamp duty and stamp duty reserve tax with regard to the Open Offer is set out in the paragraph entitled "United Kingdom taxation" in Part II. The statements are intended as a general guide to the current law and practice in the United Kingdom and are based on United Kingdom legislation currently in force and currently understood Inland Revenue practice. The Company believes that the new Ordinary Shares to be issued under the Open Offer will probably not qualify for relief under the terms of the Enterprise Investment Scheme. **If you are in any doubt as to your tax position or are**

**subject to tax in jurisdictions outside the United Kingdom, you should consult your professional adviser without delay.**

### **Capital reorganisation**

The existing Ordinary Shares are currently trading at a level below their par value. Under the Act, a company may not issue shares at below their par value. Accordingly any issue of further ordinary shares, within the Company's current capital structure, would have to take place at not less than 50p per share. This means that, in the near future, any equity capital raising scheme within the Company's current capital structure would be impossible. Therefore, and in order to enable the Company to issue new Ordinary Shares pursuant to the Open Offer, it is proposed that each existing Ordinary Share and each unissued ordinary share with a par value of 50p in the capital of the Company be sub-divided into one reduced Ordinary Share (having materially the same rights as the existing Ordinary Shares and the new Ordinary Shares) and one Non-Voting Share (having materially the same rights as the Ordinary Shares but having no voting rights) and the preference share of 50p in the capital of the Company be sub-divided into one preference share of 1p (having materially the same rights as the preference share of 50p) and one Non-Voting Share. Further, the sub-division of the ordinary shares and the preference share and the creation of the Non-Voting Shares will enable the Company to proceed with the capital reduction summarised below.

No share certificates will be issued in respect of the Non-Voting Shares. Share certificates relating to the existing Ordinary Shares and the preference share of 50p will remain valid in respect of the reduced Ordinary Shares and the preference share of 1p after the proposed sub-division and, accordingly, Shareholders and the Preference Shareholder need take no action in respect of them. Revised share certificates in respect of the reduced Ordinary Shares and the preference share of 1p will be issued on request (against surrender of the relevant share certificates in respect of the existing Ordinary Shares) or against subsequent transfers.

### **Reduction of Capital**

As at 31 May 1998 the Company's profit and loss account showed an accumulated deficit of approximately £12.6 million (prior to any restatement of such amount in accordance with FRS 10 (described in the paragraph headed "Unaudited interim results and trading")). As explained in my letter to you dated 19 November 1998 (attached to the notice of annual general meeting of the Company), due to such accumulated deficit on its profit and loss account, the Company's net assets were at that time less than one half of its called up share capital. My letter to you stated that the Company would put forward proposals for a reduction of share capital to deal with this situation. Due to the restatement referred to above, the Company's net assets as at 30 November 1998 are greater than one half of its called up share capital. However, this may not continue to be the case. An appropriate reduction of share capital would reduce the deficit on the profit and loss account of the Company thereby ensuring that, for the foreseeable future, its net assets would be greater than one half of its share capital. The Act permits the Company, subject to the approval of the High Court, to reduce its share capital by special resolution.

In addition, for so long as the Company has an accumulated deficit on its profit and loss account it is precluded by the provisions of the Act from paying a dividend. Accordingly, it is proposed to reduce the Company's issued share capital by approximately £19,585,300 and, in addition, its unissued share capital by cancelling the Non-Voting Shares referred to above.

If the proposed reduction of capital becomes effective, it will give rise to the sum of approximately £19,585,300 in the books of account of the Company. It is proposed that the higher of £11.1 million (being the deficit as at 30 November 1998 calculated in accordance with FRS 10) and a sum equal to the deficit on the profit and loss account as at the date upon which the reduction of capital takes effect will be transferred to the profit and loss account of the Company to eliminate the deficit.

The balance will be transferred to a special reserve in the books of account of the Company for the protection of the creditors of the Company. Once all of the creditors of the Company who are creditors at the date upon which the reduction of capital becomes effective have either been discharged or consented to it, the special reserve will be released, allowing the balance to be transferred to the profit and loss account of the Company. This sum, subject always to the then financial position of the Company, will become available for distribution in due course. The Board does not consider that the Company would derive any benefit in retaining the sums represented by

the Non-Voting Shares as share capital. In short, the reduction will increase the flexibility of the Company's financial position.

In order for the proposed reduction of capital to become effective, the Company will require the approval of shareholders by special resolution and the confirmation of the High Court. In order to effect this, resolution 1 in the EGM Notice will be proposed as a special resolution at the Extraordinary General Meeting. If resolution 1 is passed, the Directors will seek the confirmation of the High Court. It is anticipated that High Court approval will be obtained within three months of the Extraordinary General Meeting. The exact timing will depend upon the availability of court time. As explained more fully below, it is intended that the Non-Voting Shares be cancelled immediately by a court approved reduction.

Prior to confirming the proposed reduction of capital, the High Court will need to be satisfied that the proposed reduction of capital will not prejudice the interests of the Company's creditors. The Company will provide such undertakings or other appropriate creditor protection to the High Court as it requires in order to protect the Company's creditors.

### **The City Code**

The terms of the Open Offer give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford are described below.

The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by both government and other regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the United Kingdom should conduct themselves in matters relating to takeovers in accordance with best business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company resident in the United Kingdom (and to certain categories of private limited companies). The Company is such a company and its shareholders are entitled to the protection afforded by the City Code.

Under Rule 9 of the City Code, any person or group of persons acting in concert who acquires 30 per cent. or more of the voting rights of a public company is normally required by the Panel to make a general offer to shareholders to acquire the balance of the shares not held by such person or group of persons acting in concert. Also under Rule 9 of the City Code, if any person or group of persons acting in concert who holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a public company acquires any number of additional shares, such person or group of persons would normally be required by the Panel to make a general offer to shareholders to acquire the balance of the shares not held by such person or group of persons. **Following completion of the Open Offer, I, who currently hold 31.31 per cent. of the existing issued ordinary share capital, may, as a result of my underwriting commitment, beneficially own a minimum of 31.54 per cent. and a maximum of 53.46 per cent. (assuming that I am required to take up my full underwriting commitment pursuant to the Open Offer Agreement and that none of the options granted or capable of being granted pursuant to the Share Option Scheme are exercised) of the Enlarged Issued Share Capital.** I wish, for the benefit of all Shareholders, to preserve the quoted status of the Company rather than make an offer for the remaining Ordinary Shares in issue.

**The Panel has agreed, subject to resolution 4 in the EGM Notice being passed on a poll by Shareholders (other than myself owing to my interest therein) at the Extraordinary General Meeting, to waive the requirement which would otherwise arise under Rule 9 of the Code that I make such a general offer to Shareholders as a result of the percentage increase in my holding of voting rights in the Company to a maximum of 53.46 per cent. by virtue of my underwriting the Open Offer.** My commitment pursuant to the Open Offer Agreement is conditional, *inter alia*, on such resolution being passed. My commitments pursuant to the Open Offer and the Open Offer Agreement will be funded out of my own cash resources.

The Directors have no intention of exercising the authority of the Company to purchase its own shares (granted pursuant to the special resolution of the Company passed on 17 December 1998 (described in paragraph 4.6 of Part V)).

**As set out above, following completion of the Open Offer, I will hold between 31.54 per cent. and 53.46 per cent. of the Enlarged Issued Share Capital. If I hold more than 50 per cent. of the Enlarged Issued Share Capital, I, and any persons acting in concert with me, will be free to acquire any number of Ordinary Shares without incurring any further obligation under Rule 9 of the City Code to make a**

**general offer for the Company. If, however, I hold (as I do now) 50 per cent. or less but more than 30 per cent. of the Enlarged Issued Share Capital, I, and any persons acting in concert with me, may not acquire additional Ordinary Shares without incurring an obligation under Rule 9 of the City Code to make a general offer for the Company.**

#### **Extraordinary General Meeting**

You will find at the end of this document a notice convening an extraordinary general meeting of the Company to be held at Twyford Avenue Sports Ground, Twyford Avenue, Acton, London W3 at 3.00 p.m. on 12 March 1999. At the Extraordinary General Meeting, resolutions will be proposed for the following purposes, of which resolutions numbered 1, 2 and 3 will be proposed as special resolutions and resolutions numbered 4, 5 and 6 will be proposed as ordinary resolutions:-

1. (a) to sub-divide each existing Ordinary Share and each unissued ordinary share of 50p in the capital of the Company into one reduced Ordinary Share and one Non-Voting Share and the preference share of 50p in the capital of the Company into one preference share of 1p and one Non-Voting Share;
- (b) to increase the authorised share capital of the Company from £22,500,000 to £22,800,000 by the creation of 30,000,000 new Ordinary Shares;
- (c) to amend the Articles of Association of the Company in connection with the creation of the Non-Voting Shares and the increase of the authorised share capital; and
- (d) to reduce the Company's authorised share capital by cancelling each of the issued and unissued Non-Voting Shares.
2. in substitution for any such existing authorities:
  - (a) to authorise the Directors pursuant to section 80 of the Act to allot relevant securities up to a maximum aggregate nominal amount of £300,000 for a period of five years; and
  - (b) to disapply the statutory pre-emption provisions of section 89(1) of the Act (pursuant to section 95 of the Act) so as to enable the Directors to allot equity securities in respect of issues or offers *pro rata* to shareholders (subject as provided by the resolution) and to make other allotments of equity securities for cash up to a maximum aggregate nominal amount of £29,997.50 (representing approximately 5 per cent. of the Enlarged Issued Share Capital).
3. to amend the Articles of Association of the Company in connection with the cancellation of the Non-Voting Shares.
4. to approve the waiver by the Panel of the requirement under Rule 9 of the City Code for me to make a general offer to all Shareholders as referred to above.
5. to approve the Open Offer Agreement.
6. to approve the Loan Agreement.

A poll will be taken on resolution 4.

I have undertaken to abstain, and to take all reasonable steps to ensure that my associates and any persons acting in concert with me abstain, from voting on resolutions 4, 5 and 6.

#### **CREST**

Qualifying Shareholders who are CREST sponsored members should read the paragraph entitled "Dealings in the new Ordinary Shares" of Part II and should refer to their CREST sponsors regarding the action to be taken in connection with this document, the Application Form and the Open Offer.

#### **Share Option Scheme**

In accordance with the rules of the Share Option Scheme, the number of shares under option and the relevant option prices can be adjusted following the Open Offer. Optionholders will be notified of any such adjustments in due course once the auditors' confirmations that such adjustments are in their opinion fair and reasonable have been obtained. The number of shares available to the Share Option Scheme will also be adjusted accordingly.

#### **Action to be taken**

A form of proxy for use at the Extraordinary General Meeting is enclosed with this document. Whether or not you intend to attend the meeting or apply for new Ordinary Shares under the Open

Offer, you are requested to **complete the Form of Proxy** in accordance with the instructions printed thereon and **return it to the Company's registrars**, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 3UH as soon as possible and, in any event, so that it is received **no later than 3.00 p.m. on 10 March 1999**. Completion and return of the Form of Proxy will not prevent you from attending the Extraordinary General Meeting and voting in person should you wish to do so.

Qualifying Shareholders who wish to apply for new Ordinary Shares under the Open Offer should follow the procedure for application which is set out in detail in the letter from Peel Hunt contained in Part II but, in summary, is as follows:

- (a) You must complete and sign the Application Form in accordance with its instructions;
- (b) You must return the Application Form, together with a cheque or bankers' draft for the full amount payable, in the enclosed reply-paid envelope or by hand, only, to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL; and
- (c) Your Application Form and payment must arrive no later than 3.00 p.m. on 10 March 1999.

The attention of Qualifying Shareholders is also drawn to the instructions printed on the Application Form. Qualifying Shareholders who do not wish to apply for new Ordinary Shares under the Open Offer need take no further action.

#### **Directors' intentions and recommendations**

**Irrevocable undertakings have been received from those Directors who are also Shareholders to take up their full entitlement under the Open Offer to 5,531,500 new Ordinary Shares in aggregate, representing approximately 27.68 per cent. of the new Ordinary Shares being offered under the Open Offer.**

**Your Directors, having been so advised by Peel Hunt, consider the Open Offer to be in the best interests of the Company and Shareholders as a whole. In providing advice to the Directors, Peel Hunt has taken into account the Directors' commercial assessments.**

**Your Directors, (except myself in relation to the Related Party Arrangements in which I am interested), having consulted with Peel Hunt, consider that the terms of the Related Party Arrangements are fair and reasonable so far as Shareholders are concerned. In providing advice to the Directors, Peel Hunt has taken into account the Directors' commercial assessments.**

**Your Directors (other than myself owing to my interest therein), having been so advised by Peel Hunt, consider the waiver of the obligation that might otherwise arise under Rule 9 of the City Code (as a result of my underwriting the Open Offer) to be in the best interests of the Company and Shareholders as a whole. In providing advice to the Directors, Peel Hunt has taken into account the Directors' commercial assessments.**

**Your Directors unanimously recommend that you vote in favour of the Resolutions (other than the Related Party Resolutions in which I am interested) as they have undertaken to do in respect of their holdings of 11,063,000 existing Ordinary Shares representing approximately 27.68 per cent. of the existing issued ordinary share capital of the Company.**

**Your Directors (other than myself owing to my interest therein) unanimously recommend that you vote in favour of the Related Party Resolutions as they have undertaken to do in respect of their holdings of 893,000 existing Ordinary Shares representing approximately 2.23 per cent. of the existing issued ordinary share capital of the Company.**

#### **Further information**

Your attention is drawn to the further information set out in Parts II to V, including, without limitation, the Risk Factors set out in Part IV.

Yours sincerely

C N Wright  
(Chairman)

## PART II

### Letter from Peel Hunt



62 Thrcadneedle Street, London EC2R 8HP.

17 February 1999

*To Shareholders and to the Preference Shareholder and, for information only, to Optionholders*

Dear Shareholder,

#### **Open Offer of 19,984,999 new Ordinary Shares at 13 pence per share**

##### **Introduction**

As explained in the letter from your chairman set out in Part I, the Board proposes to raise approximately £2.6 million (£2.3 million net of expenses) by way of an Open Offer in order to provide the Group with additional working capital.

Under the Open Offer, 19,984,999 new Ordinary Shares are being offered to Qualifying Shareholders at 13p per share. Irrevocable undertakings have been received from the Directors who are Shareholders to subscribe for their maximum *pro rata* entitlements under the Open Offer representing in aggregate 5,531,500 new Ordinary Shares, equivalent to approximately 27.68 per cent. of the new Ordinary Shares.

Other than in respect of the entitlements for which irrevocable undertakings have been received, the Open Offer is fully underwritten by Mr. Wright pursuant to the Open Offer Agreement.

**This letter contains the formal terms and conditions of the Open Offer and should be read in conjunction with the rest of this document and the accompanying Application Form.**

##### **The Open Offer**

Peel Hunt, as agent for and on behalf of the Company, hereby invites Qualifying Shareholders, subject to the terms and conditions set out below and in the Application Form, to apply for new Ordinary Shares at a price of 13p per share, free of all expenses, payable in full on application, up to a maximum entitlement calculated on the basis of:

##### **one new Ordinary Share for every two existing Ordinary Shares**

held on at the Record Date, and so in proportion for any other number of existing Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of new Ordinary Shares. Fractional entitlements which would otherwise have arisen will not be allotted to Qualifying Shareholders but will be aggregated and taken up by Mr. Wright under the Open Offer Agreement. Qualifying Shareholders may apply for any whole number of new Ordinary Shares up to their maximum entitlement, indicated in Box B on the Application Form. No application in excess of the maximum entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied only for his/her maximum entitlement and any monies paid in excess of the amount due in respect of any application made will be returned without interest by crossed cheque in favour of the applicant through the post at his/her risk. Otherwise there will be no scaling down of valid applications.

A member of the London Stock Exchange and regulated by the Securities and Futures Authority  
Registered in England No. 2320252

If a Qualifying Shareholder holds existing Ordinary Shares in both certificated and uncertificated forms, those holdings will be treated separately for the purpose of calculating his entitlement to new Ordinary Shares.

Application may only be made on the enclosed Application Form, which is personal to the Qualifying Shareholder(s) named therein and may not be assigned, transferred or split except to satisfy *bona fide* market claims pursuant to the rules of the London Stock Exchange. Qualifying Shareholders who have sold or transferred all or part of their registered holdings prior to 17 February 1999 are advised to consult the stockbroker, bank or other agent through or by whom the sale or transfer was effected as soon as possible since the benefits arising under the Open Offer may be claimed from them by purchasers or transferees under the rules of the London Stock Exchange. The Application Form represents a right to apply for new Ordinary Shares. **It is not a negotiable document or a document of title and cannot be traded. Any new Ordinary Shares not applied for under the Open Offer will be taken up by Mr. Wright under the terms of the Open Offer Agreement.**

The Open Offer is conditional, *inter alia*, upon:

- (i) the passing of the resolutions numbered 1, 2, 4, 5 and 6 in the EGM Notice;
- (ii) the Open Offer Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and
- (iii) Admission becoming effective by 9.00 a.m. on 15 March 1999, (or such later time and/or date as the Company and Peel Hunt may agree but, in any event, not being later than 9.00 a.m. on 31 March 1999).

The principal terms of the Open Offer Agreement are summarised in paragraph 9(g) of Part V.

Application has been made for the new Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective on 15 March 1999. The new Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing Ordinary Shares.

#### **Dealings in the new Ordinary Shares**

The results of the Open Offer are expected to be announced on 12 March 1999. It is expected that, subject to the Open Offer becoming unconditional in all respects, dealings will commence on 15 March 1999.

In the case of Shareholders holding Ordinary Shares in uncertificated form, it is expected that, subject to the provision of the relevant information requested on the Application Form, new Ordinary Shares will be issued in uncertificated form on 15 March 1999. Lloyds TSB Registrars, the Company's registrars, will instruct CREST to credit the appropriate stock accounts of such persons with their entitlements to new Ordinary Shares with effect from 15 March 1999.

In the case of Shareholders holding Ordinary Shares in certificated form, definitive certificates for the new Ordinary Shares are expected to be despatched by post by 22 March 1999. Pending despatch of the definitive share certificates, transfers of the new Ordinary Shares will be certified against the register. No temporary documents of title will be issued.

All documents or remittances sent by or to an applicant (or his/her agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

The Company reserves the right to allot or issue new Ordinary Shares in certificated form notwithstanding any other provisions set out in this Part II or elsewhere in this document.

#### **Procedure for application**

The Application Form shows the number of existing Ordinary Shares registered in your name at the Record Date and the maximum number of new Ordinary Shares for which you are entitled to apply under the Open Offer. You may apply for less, but not more, than your entitlement should you so wish.

**If you wish to apply for all or any of the new Ordinary Shares to which you are entitled, you should complete and sign the accompanying Application Form in accordance with the instructions thereon and return it, together with the appropriate remittance for the full amount payable on application, by post or by hand (during normal business hours) to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, or by hand only (during normal business hours) to Lloyds TSB Registrars,**

**Antholin House, 71 Queen Street, London EC4N 1SL so as to arrive no later than 3.00 p.m. on 10 March 1999. Application Forms will only be accepted at the above addresses. Applications once made will be irrevocable. A reply-paid envelope is enclosed for your use.** The Company and Peel Hunt may (in their sole discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a power of attorney as required or which otherwise does not strictly comply with the terms and conditions of application. If you post your Application Form by first class post you are recommended to allow at least two days for delivery.

**All payments must be in pounds sterling and must be made by cheque or bankers' draft, made payable to "Lloyds TSB Group plc, a/c Loftus Road plc", and crossed "Account Payee only".** Cheques and bankers' drafts must be drawn on a bank or a building society in the United Kingdom which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of any of those companies or committees and must bear the appropriate sorting code in the top right hand corner. **Any application which does not comply with these requirements may be rejected.**

Return of the Application Form with the appropriate remittance will constitute a warranty that all cheques will be honoured on first presentation. Such warranty will constitute a term of the application. If this term is not met, the application may be rejected. The Company and Peel Hunt reserve the right to have cheques and bankers' drafts presented on receipt and to instruct Lloyds TSB Registrars to seek special clearance of cheques to obtain value for remittances at the earliest opportunity. If they are presented for payment before the conditions of the Open Offer have been fulfilled, the application moneys will be held in a separate bank account pending the fulfilment of those conditions and any interest earned on such monies will be retained for the Company's benefit. If the conditions of the Open Offer are not fulfilled by 31 March 1999, the application moneys will be returned without interest within 21 days thereafter by crossed cheque in favour of the applicant(s) through the post at their risk.

Peel Hunt reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 12 March 1999 from an authorised person (as defined in the Financial Services Act 1986) specifying the new Ordinary Shares concerned and undertaking to lodge the relevant Application Form in due course.

**If you do not wish to apply for any new Ordinary Shares you should not complete the enclosed Application Form. You are nevertheless requested to complete and return the Form of Proxy for use at the Extraordinary General Meeting.**

### **Money Laundering Regulations 1993**

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations 1993, Lloyds TSB Registrars is entitled in its absolute discretion to require verification of the identity of any person by whom or on whose behalf an Application Form is lodged with payment (an "applicant"). Return of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations 1993 will not be breached by the acceptance of the remittance and an undertaking from the applicant to provide verification of identity reasonably satisfactory to Lloyds TSB Registrars if so requested, within a reasonable time thereafter. Failure to provide satisfactory evidence of identity, if requested to do so, may result in a delay in the despatch of definitive share certificates in respect of the new Ordinary Shares. If verification requirements are not satisfied by 3.00 p.m. on 12 March 1999, the Company may, at its absolute discretion, reject the application in which event the application monies will be returned (without interest) to the account of the drawee bank or building society from which such sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid).

If the amount payable in respect of an application for new Ordinary Shares exceeds £10,000 (or is one of a series of linked applications the aggregate value of which exceeds that amount), verification of the identity of the person lodging the Application Form will be required if payment is settled by way of third party payment (e.g. banker's draft, building society cheque or a cheque drawn by someone other than the applicant). Applicants should therefore make payment by means of a



cheque drawn by the applicant. If this is not practicable and such applicant uses a cheque drawn by a third party, a building society cheque or a banker's draft, the applicant should:

- (i) write their own full name, address and (in the case of an individual) date of birth on the back of the cheque, building society cheque or banker's draft;
- (ii) if a building society cheque or banker's draft is used, ask the building society or bank to endorse on the cheque or draft the name and account number of the person whose building society or bank account is being debited, such endorsement being validated by a stamp and authorised signature; and
- (iii) if the application is being made by the applicant as agent for one or more persons, indicate on the Application Form whether the applicant is a UK or European Union regulated person or institution (e.g. a bank or stockbroker) and specify the applicant's status. If an applicant is not a UK or European Union regulated person or institution, the applicant should contact Lloyds TSB Registrars and seek guidance.

If the Application Form is delivered by hand, the person making payment should ensure that they have with them evidence of identity bearing their photograph (for example, a valid passport).

Neither the Company nor Peel Hunt shall be responsible, nor have any liability, for loss or damage (whether actual or alleged) arising from the election by the Company to treat an application (in whole or in part) in respect of new Ordinary Shares lodged by any applicant as invalid as a result of Lloyds TSB Registrars not having received evidence as to the identity of the person lodging the relevant Application Form satisfactory to it within a reasonable time of Lloyds TSB Registrars having requested such information.

#### **Optionholders**

Optionholders are not entitled to participate in the Open Offer in respect of their options. In accordance with the rules of the Share Option Scheme, the Directors propose to adjust the number of ordinary shares subject to options and/or the price at which such options are exercisable. Adjustments will be subject, where necessary, to the written confirmation from the Company's auditors that, in their opinion, the adjustments are fair and reasonable. In due course Optionholders will be sent an explanatory letter regarding such adjustments.

#### **United Kingdom taxation**

**The summary set out below is intended as a general guide to certain aspects of current United Kingdom law and Inland Revenue practice and may not apply to certain classes of shareholders, such as dealers in securities. Any person who is in any doubt as to his taxation position or who is subject to taxation in any other jurisdiction should consult an appropriate professional advisor.**

##### *(a) Taxation of income*

Under current United Kingdom tax legislation no tax will be withheld from dividend payments by the Company, but the Company will have to account to the Inland Revenue for advance corporation tax ("ACT") at a rate which is currently equal to one quarter of the net dividend paid. Accordingly, the ACT attaching to a dividend currently equals 20 per cent. of the sum of the cash dividend plus ACT. However, ACT will be abolished with effect from 6 April 1999. The Company will no longer have to account to the Inland Revenue for ACT on or after that date.

Liability to United Kingdom tax is calculated on the aggregate amount of the dividend and the associated tax credit. Currently, for individual shareholders resident for tax purposes in the United Kingdom, a tax credit of an amount equal to 20 per cent. of the aggregate of the dividend and the associated tax credit thereon will usually be available and it may be set off against their total income tax liability or, in appropriate cases, claimed as a cash repayment. This tax credit satisfies the liability to United Kingdom tax at both the lower and the basic rate. United Kingdom resident individual shareholders who are liable to pay tax at the higher rate will have to account for higher rate tax on the aggregate of the dividend and associated tax credit. The tax credit may be set off against the resulting tax liability. For these purposes, dividends are treated as the top slice of the individual's income.

With effect from 6 April 1999, the tax credit regime will change for individual shareholders. The rate of tax credits will be halved to 10 per cent. of the aggregate of the dividend and the

associated tax credit, and tax credits will no longer be repayable to individual shareholders with no income tax liability.

From 6 April 1999, individual shareholders whose income is within the lower or basic rate bands will be liable to tax at 10 per cent. of their gross dividend income. The effect of this is that the tax credit attaching to the dividend will continue to satisfy such individual's income tax liability on United Kingdom dividends. Shareholders liable to higher rate tax from 6 April 1999 (currently at a rate of 40 per cent.) will have a liability to income tax of 32.5 per cent. of the aggregate of the dividend and the 10 per cent. tax credit received, of which 10 per cent. will have been satisfied by the tax credit. The effect of this should be to put them in the same after tax position as under the current regime.

A corporate shareholder resident for tax purposes in the United Kingdom will not be chargeable to United Kingdom corporation tax on any dividend received from the Company and until 6 April 1999 will normally be able to treat any such dividend as franked investment income.

Since 2 July 1997, pension providers and most United Kingdom corporate shareholders (including authorised unit trusts and open-ended investment companies) have not been entitled to repayment of the tax credits attaching to dividends from United Kingdom companies.

Special rules apply to taxpayers, who are not resident in the United Kingdom.

Whether a holder of shares in the Company who is resident in a country other than the United Kingdom, is entitled to repayment of a proportion of the tax credit in respect of dividends held by him depends in general on the provisions of any double tax convention or agreement which exists between such country and the United Kingdom, and any such person should consult his tax adviser as to whether or not he is entitled to reclaim any part of the tax credit, the procedure for claiming payment and what relief or credit may be available in the jurisdiction in which they are resident for tax purposes. The proposed reduction in the United Kingdom tax credit regime for individuals with effect from 6 April 1999 (see above) may eliminate or restrict a shareholder's entitlement to claim repayments from the Inland Revenue under the appropriate double tax convention or agreement in respect of dividends paid on or after that date.

*(b) Taxation of capital gains*

For the purposes of United Kingdom taxation of capital gains, the issue of new Ordinary Shares to Qualifying Shareholders pursuant to the Open Offer will be regarded as a reorganisation of the share capital of the Company. No liability to United Kingdom taxation on capital gains in respect of the new Ordinary Shares should arise if a Qualifying Shareholder takes up his entitlement to new Ordinary Shares in full or in part.

Any new Ordinary Shares taken up by a Qualifying Shareholder under the Open Offer up to their maximum entitlement will, together with his existing holding of Ordinary Shares, be treated as a single asset acquired at the time the existing holding was acquired. If a Qualifying Shareholder takes up his entitlement to new Ordinary Shares in full, the base cost of this asset will consist of the base cost of the existing holding of Ordinary Shares and the amount paid for the new Ordinary Shares taken up, up to their maximum entitlement.

For the purposes of calculating a Qualifying Shareholder's indexation allowance, the expenditure incurred in applying for the new Ordinary Shares will be treated as incurred when he makes or becomes liable to make payment of the application monies. However, under the Finance Act 1998, the indexation allowance is only available for individuals for periods up to 6 April 1998, after which, depending on status, taper relief may be available. Indexation allowance continues for companies subject to corporation tax on chargeable gains. If a Qualifying Shareholder sells all or some of the new Ordinary Shares issued to him or his existing holding of Ordinary Shares, he may, depending on his circumstances, incur a liability to taxation on any capital gain realised.

United Kingdom capital gains tax (or, for companies, corporation tax on chargeable gains) generally only applies to persons resident or ordinarily resident in the United Kingdom for tax purposes.

(c) *Stamp duty and stamp duty reserve tax ("SDRT")*

No stamp duty or SDRT will be payable on the issue of new Ordinary Shares by the Company under the Open Offer.

The transfer or sale of any new Ordinary Shares will generally give rise to a liability on the purchaser to *ad valorem* stamp duty at 50p per £100 (or part thereof) of the amount or value of the consideration paid or, if an unconditional agreement to transfer any new Ordinary Shares is not completed by a duly stamped transfer, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid.

**Overseas shareholders**

(a) *General*

**Due to the relatively limited number of Overseas Shareholders and the regulatory complexity (and consequent cost) of any offer being made to any such persons, the Open Offer is not being made to Overseas Shareholders and accordingly Application Forms will not be sent to Overseas Shareholders. Any such person who nevertheless receives an Application Form should return it to Lloyds TSB Registrars at either of the addresses stated in the paragraph headed "Procedure for Application" above.**

Receipt of this document or an Application Form will not constitute an offer to any person with a registered address in or being a citizen or resident of, countries other than the United Kingdom and in those jurisdictions and in such circumstances this document or an Application Form will be deemed to have been sent for information only. No person receiving a copy of this document and/or an Application Form in any jurisdiction other than the United Kingdom may treat the same as constituting an offer or invitation to him.

Accordingly, persons receiving a copy of this document and/or an Application Form should not, in connection with the Open Offer, distribute or send the same into any jurisdiction outside the United Kingdom. If an Application Form is received by any person in any such jurisdiction or by the agent or nominee of such a person, he must not seek to accept the Offer referred to in the Application Form.

The Company reserves the right to treat as invalid any Application Form which appears to the Company to have been executed or despatched from any jurisdiction other than the United Kingdom or which provides an address in any jurisdiction other than the United Kingdom for delivery of definitive share certificates for the new Ordinary Shares in a manner which may involve a breach of the legislation of any jurisdiction or which does not include the warranties set out in paragraph 7 of the Application Form and the Company shall not be bound to issue any new Ordinary Shares in respect of such Application Form.

**For the avoidance of doubt and without limitation to the preceding paragraphs the attention of Overseas Shareholders is drawn to the following paragraphs. The comments set out below are intended as a general guide only and any Shareholder who is in any doubt about his position should consult his professional advisor without delay.**

(b) *United States and Canada*

Neither the new Ordinary Shares nor the Application Forms have been or will be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") or the securities laws of any state of the United States. The relevant clearances have not been and will not be obtained from the securities commission of any province or territory of Canada in accordance with the relevant Canadian securities law. The new Ordinary Shares may not therefore be directly or indirectly offered for subscription or purchase, sold, taken up, transferred or delivered in or into the United States or Canada or to or for the benefit of a person within the United States or Canada. Accordingly the Open Offer will not be made in the United States or Canada.

Accordingly, no offer of new Ordinary Shares is being made under this document nor are Application Forms being sent to Shareholders with registered addresses in the United States or Canada. Applications from any such person shall be deemed to be invalid. Envelopes containing Application Forms should not be postmarked or otherwise despatched from the United States or Canada and all applicants must provide addresses outside the United States and Canada for delivery of definitive certificates for new Ordinary Shares.

The Company reserves the right to treat as invalid any Application Form which appears to the Company or its agents to have been executed in or despatched from the United States or Canada, or which provides an address in the United States and Canada for delivery of definitive share certificates for new Ordinary Shares or which does not include the warranties set out in paragraph 7 of the Application Form to the effect that the person accepting the Application Form does not have a registered address and is not otherwise located in the United States or Canada and is not acting for the account or benefit of a person within the United States or Canada or if the Company believes that the acceptance of such Application Form does or may infringe applicable regulatory requirements.

For the purpose of this document, "United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia, and other areas subject to its jurisdiction or under its control and "Canada" means Canada and each of its provinces, territories and possessions and other areas subject to its jurisdiction or under its control.

(c) *Republic of Ireland*

No prospectus in relation to the new Ordinary Shares has been or will be lodged for registration with the Registrar of Companies in the Republic of Ireland. The new Ordinary Shares may not be offered, sold or delivered in the Republic of Ireland.

Accordingly, no offer of new Ordinary Shares is being made under this document nor are the Application Forms being sent to Shareholders with registered addresses in the Republic of Ireland. Envelopes containing Application Forms should not be postmarked in the Republic of Ireland or otherwise despatched from the Republic of Ireland and all applicants must provide addresses outside the Republic of Ireland for the delivery of definitive certificates for new Ordinary Shares.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in or despatched from the Republic of Ireland or which provides an address in the Republic of Ireland for delivery of a definitive certificate for the new Ordinary Shares issued pursuant to the Open Offer or which does not include the warranty set out in the paragraph headed "Overseas Shareholders" in the Application Form or if the Company believes that the acceptance of such Application Form does or may infringe applicable regulatory requirements.

(d) *Australia*

No prospectus in relation to the new Ordinary Shares has been or will be lodged with, or registered by, the Australian Securities Commission. A person may not:

- (i) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for, or buy or sell, the new Ordinary Shares; or
- (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale

in the Commonwealth of Australia, its states, territories or possessions ("Australia") or to any person with a registered address in or who is in Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such corporation or entity located outside Australia).

Accordingly no offer of new Ordinary Shares is being made under this document nor are Application Forms being sent to shareholders with registered addresses in, or to residents of, Australia. Envelopes containing Application Forms should not be postmarked in Australia or otherwise despatched from Australia and all applicants must provide addresses outside Australia for the delivery of definitive certificates for new Ordinary Shares.

The Company reserves the right to treat as invalid any Application Form which appears to the Company or its agents to have been executed in or despatched from Australia or which provides an address for delivery of definitive certificates for new Ordinary Shares or which does not include the warranty set out in the paragraph in the Application Form headed "Overseas Shareholders" or if the acceptance of such Application Form does or may infringe applicable regulatory requirements.

**General**

All documents (including documents of title) and remittances sent by post to or by Shareholders (or their agent, as appropriate) will be sent at the risk of such person.

The terms and conditions of the Open Offer as set out in this document and in the Application Form shall be governed by and construed in accordance with the laws of England.

**Further information**

Your attention is drawn to the further information set out in Parts I, and III to V including, without limitation, the Risk Factors set out in Part IV.

Yours sincerely  
For Peel, Hunt & Company Limited

**Christopher Holdsworth Hunt**  
*Director*

# PART III

## FINANCIAL INFORMATION ON LOFTUS ROAD

### (a) UNAUDITED INTERIM ACCOUNTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 1998

#### Consolidated Profit and Loss Account

		<i>Six months to 30 November 1998 (unaudited)</i>	<i>Six months to 30 November 1997 (unaudited) As restated</i>	<i>Year ended 31 May 1998 (unaudited) As restated</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover – continuing operations</b>	2	2,805	4,313	9,756
Playing staff and matchday costs		(4,873)	(5,236)	(9,924)
Stadium and other direct operating costs		(811)	(899)	(1,418)
Amortisation of players' registrations		(957)	(771)	(1,740)
Cost of sales		(6,641)	(6,906)	(13,082)
<b>Gross loss</b>		(3,836)	(2,593)	(3,326)
Administrative expenses		(1,997)	(1,730)	(3,617)
<b>Operating loss – continuing operations</b>	2	(5,833)	(4,323)	(6,943)
Profit on disposal of players' registrations		2,216	713	3,128
<b>Loss on ordinary activities before interest and taxation</b>	2	(3,617)	(3,610)	(3,815)
Other interest receivable and similar income		–	17	18
Interest payable and similar charges		(252)	(73)	(179)
<b>Loss on ordinary activities before taxation</b>	3(a)	(3,869)	(3,666)	(3,976)
Tax on loss on ordinary activities	4	–	–	–
<b>Retained loss for the financial period</b>		(3,869)	(3,666)	(3,976)
Loss per share	3(b), 5	(9.7p)	(9.2p)	(9.9p)
Diluted loss per share	5	(9.5p)	(9.0p)	(9.8p)

# Consolidated Balance Sheet

		As at 30 November 1998 (unaudited) £'000	As at 30 November 1997 (unaudited) As restated £'000	As at 31 May 1998 (unaudited) As restated £'000
	Notes			
<b>Fixed Assets</b>				
Tangible assets		19,588	19,414	19,442
Intangible assets	3(c)	5,145	5,973	5,515
		<u>24,733</u>	<u>25,387</u>	<u>24,957</u>
<b>Current Assets</b>				
Stocks		215	168	95
Debtors		2,039	1,899	2,699
		<u>2,254</u>	<u>2,067</u>	<u>2,794</u>
<b>Creditors: amounts due within one year</b>	6	(10,366)	(6,654)	(7,261)
		<u>(8,112)</u>	<u>(4,587)</u>	<u>(4,467)</u>
<b>Net current liabilities</b>				
		<u>16,621</u>	<u>20,800</u>	<u>20,490</u>
<b>Net assets</b>				
<b>Capital and Reserves</b>				
Called up share capital		19,985	19,985	19,985
Share premium account		3,209	3,209	3,209
Profit and loss account	3(d)	(6,573)	(2,394)	(2,704)
		<u>16,621</u>	<u>20,800</u>	<u>20,490</u>
<b>Equity shareholders' funds</b>				

**Consolidated Cash Flow Statement**

	<i>Six months to 30 November 1998 (unaudited)</i>		<i>Six months to 30 November 1997 (unaudited) As restated</i>		<i>Year to 31 May 1998 (unaudited) As restated</i>	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net cash outflow from operating activities</b>		(3,806)		(995)		(4,088)
<b>Returns on investments and servicing of finance</b>						
Interest received	-		17		18	
Interest paid	(218)		(27)		(110)	
Interest element of finance lease rental payments	(2)		(1)		(2)	
<b>Net cash outflow from returns on investments and servicing of finance</b>		(220)		(11)		(94)
<b>Taxation</b>						
UK corporation tax paid	-		-		-	
<b>Tax paid</b>		-		-		-
<b>Capital expenditure</b>						
Payments to acquire tangible fixed assets	(268)		(438)		(515)	
Payments to acquire players' registrations	(816)		(3,803)		(5,864)	
Receipts from the sale of players' registrations	2,636		742		3,997	
<b>Net cash inflow/(outflow) from capital expenditure</b>		1,552		(3,499)		(2,382)
<b>Cash outflow before financing</b>		(2,474)		(4,505)		(6,564)
<b>Financing</b>						
Other loans due within one year:						
Repayment of secured loans	(9)		(77)		(84)	
Repayment of unsecured loans	-		(50)		(50)	
Capital element of finance lease rental payments	(18)		(9)		(24)	
		(27)		(136)		(158)
<b>Decrease in cash in the period</b>		(2,501)		(4,641)		(6,722)



## Statement of total recognised gains and losses

		<i>Six months to 30 November 1998 (unaudited) £'000</i>	<i>Six months to 30 November 1997 (unaudited) As restated £'000</i>	<i>Year to 31 May 1998 (unaudited) As restated £'000</i>
	<i>Notes</i>			
Retained loss for the financial period		(3,869)	(3,666)	(3,976)
Prior year adjustment	1, 3	5,515		
Total gain recognised since last financial statements		1,646		

## Reconciliation of net cash flow movement to movement in net debt

	<i>Six months to 30 November 1998 (unaudited) £'000</i>	<i>Six months to 30 November 1997 (unaudited) £'000</i>	<i>Year to 31 May 1998 (unaudited) £'000</i>
Decrease in cash in the period	(2,501)	(4,641)	(6,722)
Cash outflow from decrease in debt financing	9	127	134
Cash outflow from decrease in finance leases	18	9	24
Change in net funds resulting from cash flows	(2,474)	(4,505)	(6,564)
New finance leases	(32)	(14)	(47)
Movement in net funds in the period	(2,506)	(4,519)	(6,611)
Opening net (debt)/funds	(4,359)	2,252	2,252
Closing net (debt)	(6,865)	(2,267)	(4,359)

## NOTES TO THE INTERIM REPORT

### 1. Accounting policies

The interim report has been prepared in accordance with the requirements of Financial Reporting Standard 10 – Goodwill and Intangible Assets ("FRS 10"). The adoption of FRS 10 results in a change in accounting policy in respect of the treatment of the costs of players' 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 first contract. Payments that are contingent on future events are capitalised when the event crystallising the payment has taken place and are written off over the remaining period of the relevant player's first contract.

The effect of this change in accounting policy is given in note 3.

Financial Reporting Standard 14 – Earnings Per Share has been adopted. Further disclosure is given in note 5.

Financial Reporting Standard 11 – Impairment of Fixed Assets and Goodwill and Financial Reporting Standard 12 – Provisions, Contingent Liabilities and Contingent Assets have also been adopted. However adoption of these standards has had no impact on the results or state of affairs of the Group as reported.

In all other respects save the above the interim report has been prepared on the basis of the accounting policies set out in the Group's 1998 Annual Report and Accounts.

The interim financial statements were approved by a duly appointed and authorised committee of the Board of Directors on 16 February 1999 and are unaudited but have been reviewed by the auditors whose report is set out on page 27.

## 2. Turnover and Operating Loss

	<i>Six months to 30 November 1998 (unaudited) £'000</i>	<i>Six months to 30 November 1997 (unaudited) As restated £'000</i>	<i>Year to 31 May 1998 (unaudited) As restated £'000</i>
<b>Turnover</b>			
Matchday receipts	1,179	1,547	3,606
Television and media	530	1,538	3,265
Sponsorship, merchandising and commercial income	983	1,103	2,633
Other	113	125	252
	<u>2,805</u>	<u>4,313</u>	<u>9,756</u>
Analysed as:			
QPR	1,754	3,039	6,797
Wasps	778	863	2,190
Retail and other	273	411	769
	<u>2,805</u>	<u>4,313</u>	<u>9,756</u>
<b>Operating (loss)/profit</b>			
QPR	(3,515)	(2,428)	(3,067)
Wasps	(831)	(862)	(1,554)
Retail and other	75	84	259
	<u>(4,271)</u>	<u>(3,206)</u>	<u>(4,362)</u>
Amortisation of players' registrations	(957)	(771)	(1,740)
Group central costs	(605)	(346)	(841)
	<u>(5,833)</u>	<u>(4,323)</u>	<u>(6,943)</u>
Operating loss – continuing operations	2,216	713	3,128
Profit on disposal of players' registrations			
Loss on ordinary activities before interest and taxation	<u>(3,617)</u>	<u>(3,610)</u>	<u>(3,815)</u>
QPR home games in period	11	10	25
Wasps home games in period	7	6	19

### 3. Restatement of accounts due to implementation of FRS 10

(a) Loss on ordinary activities before taxation	Six months to 30 November 1997 (unaudited) £'000	Year to 31 May 1998 (unaudited) £'000
Loss on ordinary activities before taxation (as previously reported)	(5,711)	(5,563)
Add back net transfer fees payable	2,103	199
Amortisation of players' registrations	(771)	(1,740)
Profit on disposal of players' registrations	713	3,128
Loss on ordinary activities before taxation (as restated)	<u>(3,666)</u>	<u>(3,976)</u>
(b) Loss per share		
Loss per share (as previously reported)	(14.3p)	(13.9p)
Add back loss per share from net transfer fees payable	5.2p	0.5p
Loss per share from amortisation of players' registrations	(1.9p)	(4.3p)
Profit per share from profit on disposal of players' registrations	1.8p	7.8p
Loss per share (as restated)	<u>(9.2p)</u>	<u>(9.9p)</u>
(c) Intangible assets		
<i>Cost</i>	£'000	£'000
At 1 June 1997	4,491	4,491
Additions	2,879	5,118
Disposals	(100)	(2,620)
At 30 November 1997/31 May 1998	<u>7,270</u>	<u>6,989</u>
<i>Amortisation</i>	567	567
At 1 June 1997	771	1,740
Charge for period	(41)	(833)
Disposals	1,297	1,474
At 30 November 1997/31 May 1998	<u>5,973</u>	<u>5,515</u>
Net Book Value at 30 November 1997/31 May 1998	<u>5,973</u>	<u>5,515</u>
(d) Profit and loss account		
Retained loss at 1 June 1997 (as previously reported)	(7,052)	(7,052)
Effects of FRS 10 restatement for the period 13 May 1996 to 31 May 1997	3,928	3,928
Transfer of other reserve	4,396	4,396
Retained profit at 1 June 1997 (as restated)	1,272	1,272
Retained loss for the financial period (as restated)	(3,666)	(3,976)
Retained loss (as restated)	<u>(2,394)</u>	<u>(2,704)</u>

Had the previous accounting policy been in force, the results for the six months ended 30 November 1998 would have been a loss of £3,499,000.

### 4. Taxation

No provision has been made for taxation as it is anticipated that the Group will have sufficient tax losses to offset any potential liability.

**5. Losses per share**

Losses per share are calculated on the retained loss for the period of £3,869,000 (1997 – £3,666,000) and on a weighted average number of ordinary shares in issue during the period of 39,969,999 (1997 – 39,969,999).

Diluted losses per share are calculated with reference to a weighted average of number of ordinary shares during the period of 40,574,999 (1997 – 40,557,499).

**6. Creditors: amounts due within one year**

Creditors: amounts due within one year includes £6,767,000 (1997 – £2,185,000) in respect of bank loans and overdrafts.

**7. Post balance sheet events**

Since the period end the registrations of Ludek Miklosko and Tim Breacker have been purchased for £75,000 and the registration of Mike Sheron has been sold for gross proceeds of £1,265,000. Under FRS 10 the sale of Mike Sheron has resulted in a loss on disposal of £946,000, which will be reflected in the results for the full year.

On 10 February 1999 the Group contracted to purchase the freehold of the Twyford Avenue Sports Ground, London W3 for consideration of £1,000,000.

**8. Availability of interim report**

Copies of this document are being sent to shareholders and are available, for collection only, from the Company's head office (Loftus Road Stadium, South Africa Road, London W12 7PA) and the offices of the Company's nominated advisor and nominated broker (Peel, Hunt & Company Limited, 62 Threadneedle Street, London EC2R 8HP) until 15 March 1999.

**9. Status of financial information**

The financial information for the year ended 31 May 1998 included in the Interim Report does not constitute full financial statements within the meaning of Section 240 of the Companies Act 1985. The figures for the year ended 31 May 1998 have been extracted from the Annual Report and Accounts which have been filed with the Registrar of Companies as restated to take account of the change in accounting policy set out in note 1 above.

**Report of the Auditors**

Review report by KPMG Audit Plc to Loftus Road plc.

We have reviewed the interim financial information for the six months ended 30 November 1998 set out on pages 21 to 27 which is the responsibility of, and has been approved by, the Directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin 'Review of Interim Financial Information', issued by the Auditing Practices Board. This review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of group management responsible for financial and accounting matters. The review was substantially less in scope than an audit performed in accordance with Auditing Standards and accordingly we do not express an audit opinion on the interim financial information.

On the basis of this review we are not aware of any material modifications that should be made to the interim financial information as presented.

KPMG Audit Plc  
Chartered Accountants  
17 February 1999

**(b) FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MAY 1998**

**Basis of preparation**

The financial information set out below does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory consolidated accounts for Loftus Road plc and its subsidiary undertakings for the year ended 31 May 1998 and for the period from 13 May 1996 to 31 May 1997 have been delivered to the Registrar of Companies in England and Wales. The auditors of Loftus Road plc, KPMG Audit Plc, Chartered Accountants and Registered Auditor, of 8 Salisbury Square, London EC4Y 8BB made reports under section 235 of the Act in respect of each such set of statutory consolidated accounts and each such report was unqualified and did not contain a statement under section 237(2) or (3) of the Act. No other information in this document has been audited by KPMG Audit Plc.

The financial information given below in this part has been extracted without material adjustment from the published audited consolidated accounts of Loftus Road plc and its subsidiary undertakings for the year ended 31 May 1998 and for the period from 13 May 1996 to 31 May 1997.

**Consolidated Profit and Loss Account**

For the year ended 31 May 1998

		1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000
	Note		
<b>Turnover</b>	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)
<b>Gross loss</b>		(1,586)	(893)
Administrative expenses		(3,617)	(2,715)
<b>Operating loss before net transfer fees payable</b>		(5,203)	(3,608)
Net transfer fees payable		(199)	(3,556)
<b>Operating loss</b>	2	(5,402)	(7,164)
Other interest receivable and similar income	6	18	209
Interest payable and similar charges	7	(179)	(97)
<b>Loss on ordinary activities before taxation</b>	3	(5,563)	(7,052)
Tax on loss on ordinary activities	8	-	-
<b>Loss on ordinary activities after taxation</b>		(5,563)	(7,052)
Dividends		-	-
<b>Retained loss for the year</b>	15	(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.

# Consolidated Balance Sheet

As at 31 May 1998

	Note	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Tangible assets	10	19,442	19,127
<b>Current assets</b>			
Stocks	11	95	118
Debtors	12	2,699	1,933
Cash at bank and in hand		-	2,456
		<u>2,794</u>	<u>4,507</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(7,261)</u>	<u>(3,096)</u>
<b>Net current (liabilities)/assets</b>		(4,467)	1,411
<b>Net assets</b>		<u>14,975</u>	<u>20,538</u>
<b>Capital and Reserves</b>			
Called up share capital	14	19,985	19,985
Share premium account	15	3,209	3,209
Other reserve	15	4,396	4,396
Profit and loss account	15	(12,615)	(7,052)
<b>Equity shareholders' funds</b>		<u>14,975</u>	<u>20,538</u>

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

# Consolidated Cash Flow Statement

For the year ended 31 May 1998

	Note	1998 £'000	Period from 13 May 1996 to 31 May 1997 £'000	£'000
<b>Net cash outflow from operating activities</b>	18		(5,955)	(8,192)
<b>Returns on investments and servicing of finance</b>				
Interest received		18		207
Interest paid		(110)		(95)
Interest element of finance lease rental payments		(2)		(2)
<b>Net cash (outflow)/inflow from returns on investment and servicing of finance</b>			(94)	110
<b>Taxation</b>				
UK corporation tax paid		-		(360)
<b>Tax paid</b>				(360)
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		(515)		(215)
<b>Net cash outflow from capital expenditure</b>			(515)	(215)
<b>Acquisitions</b>				
Loan to purchase subsidiary undertakings		-		4,000
Payments to acquire subsidiary undertakings		-		(8,423)
Net overdrafts acquired with subsidiary undertakings		-		(1,092)
<b>Net cash outflow from acquisitions</b>			-	(5,515)
			(6,564)	(14,172)
<b>Cash outflow before financing</b>				
<b>Financing</b>				
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
<b>(Decrease)/increase in cash in the year</b>	19		(6,722)	2,456

## 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
<b>Loss for the financial year</b>	(5,563)	(7,052)
Dividends	—	—
New share capital subscribed	(5,563)	(7,052)
Share premium net of expenses on issue of shares	—	19,985
Capital reserve arising on acquisition	—	3,209
	—	4,396
<b>Net (reduction)/addition to shareholders' funds</b>	(5,563)	20,538
Opening shareholders' funds	20,538	—
<b>Closing shareholders' funds</b>	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 per cent.
Motor vehicles	-	25 per cent.
Fixtures and fittings	-	20 per cent.
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.

#### *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
<b>Turnover</b>		
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
	<u>9,756</u>	<u>7,497</u>
<b>Analysed as:</b>		
QPR	6,797	5,304
Wasps	2,190	1,595
Retail and other	769	598
	<u>9,756</u>	<u>7,497</u>
<b>Operating (loss)/profit</b>		
QPR	(3,067)	(1,991)
Wasps	(1,554)	(1,110)
Retail and other	259	123
	<u>(4,362)</u>	<u>(2,978)</u>
Group central costs	(841)	(630)
	<u>(5,203)</u>	<u>(3,608)</u>
Operating loss before net transfers	(199)	(3,556)
Net transfer fees payable		
Operating loss	<u>(5,402)</u>	<u>(7,164)</u>

### 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
	<u>373</u>	<u>490</u>

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

	Basic salaries £'000	Benefits £'000	Performance Related Bonus £'000	Non- Executive fees £'000	Total Emoluments £'000	Pension Contributions £'000	Amounts paid to third parties in respect of directors' services £'000	Total £'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 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
- 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	Period from 13 May 1996 to 31 May 1997
	No.	No.
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
	<u>155</u>	<u>155</u>

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

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

#### 6. Other interest receivable and similar income

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

#### 7. Interest payable and similar charges

	1998	Period from 13 May 1996 to 31 May 1997
	£'000	£'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
	<u>179</u>	<u>97</u>

## 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.

## 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

	<i>Land and buildings £'000</i>	<i>Plant and Equipment £'000</i>	<i>Motor Vehicles £'000</i>	<i>Fixtures and Fittings £'000</i>	<i>Total £'000</i>
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:

	<i>1998 £'000</i>	<i>1997 £'000</i>
Freehold	17,390	17,374
Long leasehold	226	226
	<u>17,616</u>	<u>17,600</u>

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. Stocks**

	1998 £'000	1997 £'000
Good for resale	95	118

**12. Debtors**

	1998 £'000	1997 £'000
Trade debtors	363	549
Transfer debtors	1,339	450
Other debtors	780	835
Prepayments and accrued income	217	99
	<u>2,699</u>	<u>1,933</u>

**13. Creditors: amounts falling due within one year**

	1998 £'000	1997 £'000
Bank loans and overdrafts	4,266	-
Other loans	49	183
Obligations under finance leases and hire purchase contracts (see note 20)	44	21
Payments received on account	312	177
Trade creditors	730	813
Transfer creditors	444	1,223
Taxation and social security	306	248
Other creditors	344	122
Accruals and deferred income	766	309
	<u>7,261</u>	<u>3,096</u>

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.

**14. 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	-	-
	<u>22,500</u>	<u>22,500</u>
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	-	-
	<u>19,985</u>	<u>19,985</u>

# 15. Share premium and reserves

	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	<u>3,209</u>	<u>4,396</u>	<u>(12,615)</u>

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

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

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

# 16. 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 the arrangement is £1,880,000.

# 17. Commitments

- Contract capital commitments for the Company and the Group at 31 May 1998 were £nil (1997 - £439,000).
- Annual commitments under non-cancellable operating leases at 31 May 1998 are as follows;

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



**18. Reconciliation of operating loss to net outflow from operating activities**

	1998	Period from 13 May 1996 to 31 May 1997
	£'000	£'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	<u>(5,955)</u>	<u>(8,192)</u>

**19. Reconciliation of net cash flow to movement in net (debt)/funds**

	1998	Period from 13 May 1996 to 31 May 1997
	£'000	£'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
	<u>(6,564)</u>	<u>2,572</u>
Change in net funds resulting from cash flows	-	(285)
Loans acquired with subsidiaries	(47)	(35)
New finance leases	<u>(6,611)</u>	<u>2,252</u>
Movement in net funds in the year	2,252	-
Opening net (debt)/funds	<u>(4,359)</u>	<u>2,252</u>
Closing net (debt)/funds		

**20. Analysis of net (debt)/funds**

	At 1 June 1997	Cash flow	Other non cash changes	At 31 May 1998
	£'000	£'000	£'000	£'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	<u>2,252</u>	<u>(6,564)</u>	<u>(47)</u>	<u>(4,359)</u>

**21. 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.

## **22. 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.

## **23. 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).

## **PART IV**

### **RISK FACTORS**

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

#### **Financial support**

The confirmation of financial support up to at least 31 August 2000 (referred to in the paragraph headed "Details of the Open Offer" in Part I) is given by Mr Wright in his personal capacity and is therefore subject to the continued health and financial well-being of Mr Wright. There is no key man insurance policy in favour of the Company in place for Mr Wright.

#### **Attraction and retention of key employees and professional players**

The success of the Company will depend on the attraction and retention of its management and its key professional players. Whilst it has entered into contractual arrangements with the aim of securing the services of each of its key players and personnel, the long term retention of their services cannot be guaranteed.

#### **Relegation/promotion**

There is no guarantee that QPR or Wasps will not be relegated from their respective divisions. If either QPR or Wasps were relegated there would be a significant negative impact on the Company's potential profitability.

#### **The transfer market**

The full effects of the Bosman ruling are still not fully known and the ruling itself is being challenged. As a result there may be a significant impact over time or even in the short term on the player transfer market in its current form and this is difficult to predict with certainty.

Players' contracts tend to be fixed term contracts and because of commercial sensitivity, the termination dates of such contracts have not been referred to in this document.

#### **Competition**

The success of the Group's teams cannot be predicted with any certainty. Both football and rugby are highly competitive, and no guarantee can be made of the competitiveness and success of the teams in the future relative to the opposition they encounter in their league fixtures, or any other fixtures from which the Group might profit.

#### **Injury to players and consistency of the teams**

Players are susceptible to playing injuries. No guarantee can be made of a consistent selection of players appearing in or the consistent performance of either of the Group's main teams, or the availability or adequacy of insurance cover to compensate the Group when key players are injured.

#### **Control of contractual negotiations**

The financial success of the Company is largely dependent upon contracts negotiated between third parties relating to income from certain television and sponsorship deals. The Company is not necessarily directly a party to those contracts nor does it necessarily have any direct influence on their outcome.

#### **Sponsorship and other commercial contracts**

In line with normal commercial practice, certain sponsorship and other commercial contracts may be cancelled or altered on the occurrence of certain events (including relegation).

#### **Dual use of the Loftus Road Stadium**

Arrangements are in place for the dual use of Loftus Road. There can be no guarantee that current favourable conditions in relation to the local community, local authority planning and regulatory considerations will continue indefinitely.

#### **Property values**

As reported in Part I, the Group's application for outline planning permission for development of the Group's land at Sudbury was rejected by the London Borough of Brent. There is no guarantee that planning permission will be granted on appeal or otherwise for this or any other development. The anticipated proceeds from the sale of the land may therefore be delayed or reduced depending on the outcome of the appeal.

**Share values**

It is likely that the Company's share price will fluctuate and will not always accurately reflect the underlying value of the Company's business. It is likely that the value of the Company's shares will reflect the playing success, or otherwise, of the Group's teams. The value of the shares may go down as well as up and investors may realise less than the original sum invested by them.

**General**

Potential investors should be aware that the value of shares could rise or fall and that an investment in a share which is traded on AIM might be less profitable or more risky being a comparatively "thinly" traded market (where total or near total lack of demand or supply for stock can artificially accentuate price movements) than investment in a share quoted in the Official List of the London Stock Exchange where there may be more predictable demand and liquidity in greater volume.

## PART V

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Directors of Loftus Road, whose names appear below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Name	Age
Christopher Norman Wright – <i>Non-executive Chairman</i>	54
John Simon Hugh Crane – <i>Chief Executive</i>	35
Paul Andrew Hart – <i>Finance Director</i>	33
Nicholas Graham Goddard Blackburn – <i>Non-executive Director</i>	53
Nigel Robert Adamson Butterfield – <i>Non-executive Director</i>	51
Robert Bryan Collier – <i>Non-executive Director</i>	59
Neil Alexander Duncanson – <i>Non-executive Director</i>	39
Andrew Stewart Ross Jones – <i>Non-executive Director</i>	39
Charles John Cuthbertson Levison – <i>Non-executive Director</i>	57
Mark Anthony Rigby – <i>Non-executive Director</i>	38

The business address of each of the Directors is The Loftus Road Stadium, South Africa Road, London W12 7PA which is the Company's head office.

#### 2. The Company and its subsidiaries

- 2.1 The Company was incorporated and registered in England and Wales on 13 May 1996 under the Act as a public limited company under the name Maltrent Plc with registered number 3197756. On 3 July 1996 the Company changed its name to Loftus Road plc.
- 2.2 The Company operates under the provisions of the Act and is a public limited company as defined in section 1(3) of that Act. The liability of the members of the Company is limited.
- 2.3 The Company is the ultimate holding company of the companies set out below, which are both wholly-owned:

Name of company	Share capital issued and fully paid	Date of incorporation	Trading activity
Wasps Rugby Football Club Limited	100,000 ordinary shares of £1 each	13 June 1996	Provision of rugby teams
The Queens Park Rangers Football and Athletic Club Limited	540,600 ordinary shares of 50p each	29 December 1898	Provision of football teams

#### 3. Memorandum and Articles of Association

##### 3.1 Memorandum of Association

The principal objects of the Company are to carry on business as a holding company and a general commercial company. The objects are set out in full in clause 4 of the Memorandum of Association.

##### 3.2 Articles of Association

The Articles of Association ("Articles") contain, *inter alia*, the following provisions:

##### (a) Share Capital

- (i) The authorised share capital of the Company is £22,500,000 consisting of 44,999,999 ordinary shares of 50p each and one preference share of 50p;
- (ii) The Company in general meeting may from time to time by ordinary resolution:
- (A) increase its share capital by such sum to be divided into shares of such amounts as the resolution prescribes;
- (B) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;

- (C) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
  - (D) subject to the provisions of the Act, subdivide its shares or any of them into shares of smaller amount, and may by such resolution determine that, as between the shares resulting from such subdivision, one or more of the shares may, as compared with others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.
- (iii) The rights attaching to the one preference share of 50p in the capital of the Company are in summary as follows:
- (A) It may be transferred only to a trustee of Wasps (or the nominee of such a trustee);
  - (B) The following matters require the consent of its holder:
    - (a) restriction or removal of the power to carry on business as a professional rugby football club at the highest level as contained in the Memorandum of Association;
    - (b) any voluntary winding-up;
    - (c) the issue of a new class of voting shares carrying the right to 15 per cent. or more of aggregate voting rights exercisable at a general meeting of members of the Company;
    - (d) the amendment or the removal of any of the rights attaching to the preference share;
  - (C) It carries the right to appoint any person or to nominate any existing Director to be a Preference Director up to a maximum of two, the effect of that appointment or nomination being that a Preference Director:
    - (a) shall not be required to retire pursuant to the provisions in the Articles relating to retirement by rotation or removal of directors by resolution of the Company in general meeting;
    - (b) may only be replaced by another Preference Director;
    - (c) may vote and be counted in the quorum on a matter in which he is interested by virtue of his involvement with Wasps;
  - (D) It confers on the holder the same rights to receive notice of, to attend or vote at a meeting of members as one ordinary share of 50p;
  - (E) The holder shall be entitled to 40 days' prior notice of:
    - (a) transfer of the rights in the Wasps name held by the Company;
    - (b) transfer of the Repton Avenue Wasps Football Ground (which transfer shall require the approval of the holder of the preference share unless replaced with alternative facilities reasonably satisfactory to such holder or the approval of a general meeting at which the preference share carries 51 per cent. of voting rights); or
    - (c) transfer of the business of any of the existing teams of Wasps;
 and shall be entitled to 51 per cent. of the voting rights at any meeting to approve any of them;
  - (F) It shall rank *pari passu* with one ordinary share of 50p as regards return of capital or surplus and receipt of income; and
  - (G) It shall be redeemable at par on a winding up.
- (b) *Transfer of shares:*
- (i) Each member may transfer all or any of his shares by instrument of transfer in writing. Such instrument shall be executed by or on behalf of the transferor and, in the case of shares which are not fully paid, by or on behalf of the transferee.
  - (ii) The Board may, in its absolute discretion and without giving any reasons, refuse to register any share transfers unless:
    - (A) it is in respect of a share which is fully paid up;
    - (B) it is in respect of only one class of share;
    - (C) it is in favour of a single transferee or not more than four joint transferees;

- (D) it is duly stamped (if required);
  - (E) it is not in favour of a minor, bankrupt or person of unsound mind; and
  - (F) it is delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on its behalf, the authority of that person to do so; and
- (iii) If a member has been issued with a notice under section 212 of the Act and is in default in relation to any shares (the "Default Shares") for the prescribed period in supplying the information thereby required, unless the Board otherwise determines, where the Default Shares represent at least 0.25 per cent. in nominal value of their class the member is not entitled to vote at a general meeting or to receive a dividend and no transfer of any shares held by the member shall be registered unless it is an excepted transfer, meaning *inter alia* a transfer in relation to a takeover offer or a sale on a recognised stock exchange.
- (c) *Dividends:*
- (i) The Company may by ordinary resolution declare dividends to be paid to members of the Company but no dividend is to exceed the amount recommended by the Board. The Board may declare and pay such interim dividends as appear to the Board to be justified by the profits of the Company available for distribution under the provisions of the Act;
  - (ii) All dividends payable and unclaimed may be reinvested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect of them;
  - (iii) All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and cease to remain owing by the Company and shall belong to the Company absolutely.
- (d) *Voting:*
- (i) Subject to the voting rights conferred on the holder of the preference share, at any general meeting on a show of hands every member who is present in person or, being a corporation, by a corporate representative, shall have one vote and on a poll every member present in person or by proxy shall have one vote for each ordinary share held by him;
  - (ii) No member shall, unless the Board otherwise determines, be entitled to vote at a general meeting either personally or by proxy or to exercise any other right as a member if any call or other monies then payable by him to the Company remains unpaid in respect of that share or if that member, or any other person appearing to be interested in shares held by him, has been duly served with a notice under section 212 of the Act and is in default for the prescribed period in supplying the information thereby required.
- (e) *Variation of rights and alteration of capital*
- (i) If at any time the share capital of the Company is divided into shares of different classes, all or any of the rights for the time being attached to any shares or class of shares (and notwithstanding that the Company may be or may be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provisions, with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of the Articles relating to general meetings shall apply, but so that the quorum shall be two or more persons holding or representing by proxy at least one third in nominal value of the issued shares of the class in question;
  - (ii) The Company may, subject to applicable law and any rights attached to any shares, by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner.
- (f) *Directors:*
- (i) Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be more than 16 nor less than three;

- (ii) The Directors (or such company as is entitled to receive remuneration in connection with their release to allow them to provide their services as Directors) shall be entitled to receive by way of fees for their services as Directors (such fees being distinct from any salary or other remuneration of employment) such sum as the Board may from time to time determine provided that the aggregate amount paid to Directors by way of fees shall not exceed £175,000 in any financial year, or such greater sums as may be determined from time to time by ordinary resolution of the Company. The Directors shall also be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings. If, by arrangement with the Board, any Director shall perform or render any special duties or service outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine;
- (iii) At each annual general meeting of the Company, one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one Director shall retire from office. Retiring Directors will be eligible for reappointment. Directors are required to retire at the next annual general meeting or after attaining the age of 70 in accordance with section 293 of the Act but may offer themselves for re-election;
- (iv) Save as provided below, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he is, to his knowledge, alone or together with any person connected with him, materially interested unless the resolution concerns any of the following matters:
  - (A) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
  - (B) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under guarantee or indemnity or by the giving of security;
  - (C) the subscription or purchase by him of any shares, debentures or other securities of the Company or any of its subsidiaries pursuant to any offer or invitation or the underwriting or sub-underwriting by him of any such shares, debenture or other securities;
  - (D) any contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other company (including any subsidiary of the Company) in which he and any persons connected with him is interested, directly or indirectly (and whether as an officer, shareholder, creditor or otherwise), provided that he is not directly or indirectly the holder of or beneficially interested in one per cent. or more of the equity share capital of such company;
  - (E) any arrangement for the benefit of employees of the Company or any of its subsidiaries which does not accord to any Director any privilege or advantage not accorded to the employees to which such contract arrangement or proposal relates; and
  - (F) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy pursuant to the Articles.

(g) *Borrowing Powers:*

Subject as provided in the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the provisions of the Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to subsidiary undertakings (if any) so as to secure (so far as it is able) that the aggregate amount from time to time outstanding of borrowings by the Group (exclusive of intra-Group borrowings) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to twice the share capital and consolidated reserves.



(h) *Winding-up:*

On a winding-up of the Company, surplus assets of the Company available for members after payment of the Company's liabilities and the expenses of liquidation will be divided amongst holders of the ordinary shares and the preference share *pari passu* according to the amount paid-up on such share.

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such a value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members of different classes. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any shares in respect of which there is a liability.

(i) *Redemption*

The ordinary shares are not redeemable.

4. **Share capital**

- 4.1 Set out below are details of the authorised and issued share capital of the Company as at 16 February 1999 (the latest practicable date prior to the publication of this document) and the authorised and issued share capital of the Company as it will be following the Open Offer.

	At present		Following the Open Offer	
	Number	Nominal value £	Number	Nominal value £
<i>Ordinary Shares</i>				
Authorised	44,999,999	22,499,999.50	74,999,999	749,999.99
Issued and fully paid	39,969,999	19,984,999.50	59,954,998	599,549.98
<i>Preference Shares</i>				
Authorised	1	0.50	1	0.01
Issued and fully paid	1	0.50	1	0.01
<i>Non-Voting Shares</i>				
Authorised	—	—	45,000,000	22,050,000
Issued and fully paid	—	—	39,970,000	19,585,300

All of the existing Ordinary Shares are currently quoted on AIM.

- 4.2 The existing Ordinary Shares are, and the new Ordinary Shares and the reduced Ordinary Shares will be, in registered form. The new Ordinary Shares will be issued at a premium of 12p to their nominal value. Temporary documents of title will not be issued in connection with the Open Offer. The new Ordinary Shares will be issued in certificated or uncertificated form (as specified by the Qualifying Shareholder on his/her Application Form). New Ordinary Shares issued in certificated form will be represented by definitive share certificates which are expected to be despatched by 22 March 1999. New Ordinary Shares issued in uncertificated form are expected to be credited to the relevant stock account(s) of the Qualifying Shareholders on 15 March 1999.

- 4.3 The Company's share capital development is as follows:

- On 13 May 1996, the Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two such shares were issued nil paid;
- By an ordinary resolution passed on 21 June 1996, each ordinary share of £1 was subdivided into 10 ordinary shares of 10p each;
- On 23 July 1996, 499,980 ordinary shares of 10p each were issued nil paid. On 25 July 1996, the 500,000 ordinary shares of 10p each in issue (including the original subscriber shares) were fully paid up at par;
- By ordinary resolutions passed on 2 August 1996 the authorised share capital of the Company was consolidated into 100,000 ordinary shares of 50p each and increased to £21,000,000 by the creation of an additional 41,899,999 ordinary shares of 50p each and one preference share of 50p;
- On 2 August 1996, 17,600,000 ordinary shares of 50p each were allotted fully paid for cash at par;
- On 2 August 1996, 4,899,999 ordinary shares of 50p each and one preference share of 50p were allotted as consideration pursuant to an agreement to acquire the entire issued share capital of Wasps;

- (g) By an ordinary resolution passed on 16 October 1996, the authorised share capital of the Company was increased from £21,000,000 to £22,500,000 by the creation of 3,000,000 ordinary shares of 50p each; and
  - (h) Pursuant to a placing agreement dated 17 October 1996 between the Directors, the Company and Peel Hunt, 14,425,000 ordinary shares of 50p each were allotted to institutional investors on 24 October 1996 and 2,945,000 ordinary shares of 50p each were allotted to the public on 11 November 1996, fully paid for cash.
- 4.4 By an ordinary resolution of the Company passed on 17 December 1998, the Directors have been authorised in accordance with section 80 of the Act to allot relevant securities (within the meaning of that section) on and subject to such terms as the Directors may determine. The maximum number of relevant securities which may be allotted pursuant to this authority is 5,030,000 ordinary shares of 50p each (being the authorised but unissued share capital of the Company at the date of the resolution). Such authority expires five years after the date of the passing of the resolution (unless subsequently renewed, varied or revoked). The Directors have not yet exercised such authority.
- 4.5 The Shareholders have certain pre-emption rights in terms of section 89 of the Act in respect of any new equity securities (within the meaning of section 94 of the Act) proposed to be allotted wholly for cash. By a special resolution of the Company passed on 17 December 1998, the Directors have been authorised (pursuant to section 95 of the Act) to allot equity securities (within the meaning of section 94(2) of the Act) of the Company, wholly for cash pursuant to the authority referred to in paragraph 4.4 as if section 89(1) of the Act did not apply to such allotment provided that such disapplication shall only apply to allotments:
- (i) in connection with or pursuant to an offer of such securities (whether by way of rights issue, open offer or otherwise) to the holders of ordinary shares in the capital of the Company in proportion to their existing holdings of such shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory); and
  - (ii) (otherwise than under sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £999,250 (equal to 5 per cent of the nominal value of the issued ordinary share capital as shown in the financial statements of the Company for the year ending 31 May 1998).
- This authority expires on the earlier of 15 months from the date of the passing of the resolution and the conclusion of the next annual general meeting of the Company.
- 4.6 By a special resolution passed on 17 December 1998, the Company has been authorised, pursuant to section 166 of the Act, to make one or more market purchases (as defined in section 163(3) of the Act) of the ordinary shares of 50p each in the capital of the Company on such terms and in such manner as the Directors may determine, provided that:
- (i) such authority expires not later than the conclusion of the next annual general meeting of the Company or within 15 months of the date of the passing of the resolution, whichever occurs first;
  - (ii) the maximum aggregate number of ordinary shares which may be so purchased is limited to 5,991,503 (being 14.99 per cent. of the issued ordinary share capital of the Company as shown in the financial statements of the Company for the year ended 31 May 1998);
  - (iii) the minimum price which may be paid for an ordinary share is 50p;
  - (iv) such authority shall not permit the payment per share of more than 5 per cent. above the average of the middle market prices shown in the quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the ten business days prior to the purchase being made;
  - (v) the Company may enter into any contract for the purchase of its own ordinary shares which might be executed and completed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract; and
  - (vi) such authority shall only be capable of variation, revocation or renewal by the Company in general meeting.
- 4.7 Resolutions will be proposed at the Extraordinary General Meeting:
- (i) (a) to sub-divide each existing Ordinary Share and each unissued ordinary share of 50p in the capital of the Company into one reduced Ordinary Share and one Non-Voting Share and the preference share of 50p into one preference share of 1p and one Non-Voting Share;

- (b) to increase the authorised share capital of the Company from £22,500,000 to £22,800,000 by the creation of 30,000,000 new Ordinary Shares; and
- (c) to reduce the Company's authorised share capital by cancelling the issued and unissued Non-Voting Shares;
- (ii) in substitution for the authorities described in paragraphs 4.4 and 4.5 above:
  - (a) to authorise the Directors pursuant to section 80 of the Act to allot relevant securities up to a maximum aggregate nominal amount of £300,000 for a period of five years; and
  - (b) to disapply the statutory pre-emption provisions of section 89(1) of the Act (pursuant to section 95 of the Act) so as to enable the Directors to allot new Ordinary Shares in respect of issues or offers *pro rata* to Shareholders (subject as provided by the resolution) and to make other allotments of equity securities for cash up to a maximum aggregate nominal amount of £29,997.50 (representing approximately 5 per cent. of the Enlarged Issued Share Capital) for a period expiring on the earlier of 15 months from the date of the passing of the resolution and the conclusion of the next annual general meeting.

If the resolution referred to in paragraph 4.7(ii)(b) is passed at the Extraordinary General Meeting the provisions of section 89 of the Act (which confer on holders of equity securities rights of pre-emption in respect of the allotment of new equity securities proposed to be allotted wholly for cash) will apply to the balance of the authorised but unissued share capital which is not the subject of authority referred to in such resolution.

4.8 There are no listed or unlisted securities of the Company in issue not representing share capital.

## 5. Directors' interests and dealings

- (a) Save as disclosed in paragraph 5(b) below, the interests (all of which, unless otherwise indicated, are beneficial) (i) of the Directors and their immediate families in the share capital of the Company as required to be notified to the Company pursuant to sections 324 or 328 of the Act or (ii) which are required to be entered into the register maintained under section 325 of the Act or (iii) which are interests of a connected person of a Director which would, if the connected person were a director of the Company, be required to be disclosed under (i) or (ii) above, and the existence of which is known or could with reasonable diligence be ascertained by that Director, as at the date of this document are, and will be immediately following the Open Offer, as follows:

	Immediately prior to the date of this document		Following the Open Offer		
	Number of ordinary shares	Percentage of issued share capital	Number of ordinary shares	Percentage of Enlarged Issued Share Capital	Number of Non-Voting Shares
C N Wright*	12,514,942	31.31	32,053,441**	53.46**	12,514,942
J S H Crane	-	-	-	-	-
P A Hart	2,000	0.01	3,000	0.01	2,000
N G G Blackburn	7,000	0.02	10,500	0.02	7,000
N R A Butterfield	15,000	0.04	22,500	0.04	15,000
R B Collier	14,000	0.04	21,000	0.04	14,000
N A Duncanson	-	-	-	-	-
A S R Jones	800,000	2.00	1,200,000	2.00	800,000
C J C Levison	50,000	0.13	75,000	0.13	50,000
M A Rigby	5,000	0.01	7,500	0.01	5,000

\* includes the interest of Mr Wright in 2,329,667 ordinary shares as trustee of the Culture Vulture Pension Fund of which he is a potential beneficiary and the interest of the Wright family trust in 15,275 ordinary shares.

\*\* this number assumes that Mr Wright takes up his full underwriting commitment pursuant to the Open Offer Agreement and that none of the options granted or capable of being granted pursuant to the Share Option Scheme are exercised.

- (b) The following options over existing Ordinary Shares have been granted to the Directors under the Share Option Scheme.

	<i>Number of existing Ordinary Shares under option</i>	<i>Option exercise price (p)</i>	<i>Date of grant</i>	<i>Earliest exercise date*</i>	<i>Expiry date</i>
P A Hart	50,000	72	16 October 1996	16 October 1999	16 October 2003
N G G Blackburn	25,000	72	2 December 1996	2 December 1999	2 December 2003
N R A Butterfield	25,000	72	16 October 1996	16 October 1999	16 October 2003
C J C Levison	75,000	72	16 October 1996	16 October 1999	16 October 2003

\*subject to the criteria and conditions summarised in paragraph 7.2(c) below.

In addition J S H Crane is entitled (pursuant to his service agreement (summarised in paragraph 8(b)(i) below)) to have granted to him, at the Company's option, options over 200,000 Ordinary Shares in the Company at an exercise price of 20p per share. The Directors intend to grant such options if resolution 1 in the EGM Notice is passed at the Extraordinary General Meeting (such grant to take place as soon as practicable thereafter).

- (c) Save as referred to in paragraphs 5(a) and 5(b) none of the Directors, their immediate families or any related trust have any interests (beneficial or non-beneficial) (directly or indirectly) in any existing Ordinary Shares or other securities of the Company which are or will, following the Open Offer, be required to be notified to the Company pursuant to section 324 or section 328 of the Act or entered in the register maintained by the Company under the provisions of section 325 of the Act, nor save as set out in paragraph 5(d) below, has any such person dealt for value in the existing Ordinary Shares in the twelve months prior to the date of this document.
- (d) In the 12 month period to 16 February 1999 (the latest practicable date prior to the publication of this document), the Directors have dealt for value in the existing Ordinary Shares as follows:
- (i) On 27 April 1998 Mr Wright acquired 250,000 existing Ordinary Shares at a price of 20p per share;
  - (ii) On 12 May 1998 Mr Wright acquired 79,667 existing Ordinary Shares at a price of 19p per share;
  - (iii) On 17 February 1998 A S R Jones acquired 50,000 existing Ordinary Shares at a price of 25p per share;
  - (iv) On 16 March 1998 A S R Jones acquired 50,000 existing Ordinary Shares at a price of 22p per share;
  - (v) On 30 March 1998 A S R Jones acquired 30,000 existing Ordinary Shares at a price of 17.75p per share;
  - (vi) On 8 April 1998 A S R Jones acquired 100,000 existing Ordinary Shares at a price of 17p per share;
  - (vii) On 5 August 1998 A S R Jones acquired 100,000 existing Ordinary Shares at a price of 16p per share; and
  - (viii) On 2 September 1998 A S R Jones acquired 70,000 existing Ordinary Shares at a price of 13.5p per share.
- (e) Except as disclosed in this document, there are no agreements, arrangements or understandings (including any compensation arrangements) existing between Mr Wright or any person acting in concert with him and any of the Directors, recent directors, shareholders or recent shareholders of the Company which have any connection with or dependence upon the Open Offer.
- (f) Except as already disclosed in this document there is no agreement, arrangement or understanding whereby any of the new Ordinary Shares to be acquired by Mr Wright pursuant to the Open Offer and the Open Offer Agreement will be transferred to any other person.
- (g) Except as disclosed in this document, no subsidiary of the Company, pension fund of any member of the Group or bank, financial or other professional advisers (including stockbrokers) to the Company (other than exempt market makers) or person controlling, controlled by or under the same control as such banks, financial and other professional advisers owns, controls or is interested in (beneficially or otherwise) any securities in the Company as at the date of this document.

- (h) Other than in relation to the Group, the Directors currently hold and have during the last five years held the following directorships:

(i) *C N Wright*

*Current*

19 Sheffield Terrace Limited  
 AIR Records Limited  
 Air Studios (Lyndhurst) Limited  
 Armourvale Limited  
 CHRYS-A-LEE Music Limited  
 Chrysalis Television International Limited  
 Chrysalis Film Productions Limited  
 Chrysalis Limited  
 Chrysalis Group plc  
 Chrysalis Holdings Limited  
 Chrysalis Investments Limited  
 Chrysalis Land Limited  
 Chrysalis Music Limited  
 Chrysalis Properties Limited  
 Chrysalis Retail Entertainment Limited  
 Chrysalis Visual Programming Limited  
 Imagerose Limited  
 Laphaven Limited  
 Max Headroom Limited  
 MAM Inns and Restaurants Limited  
 MAM Leisure (Holdings) Limited  
 MAM Leisure Limited  
 Oxford Street Studios Limited  
 Phonographic Performance Limited

Sheffield Sharks Limited  
 Speaking Books Ltd  
 The Echo Label Limited  
 The Hit Label Limited  
 The Hit Record Company Limited  
 The Wright Label Limited  
 Wessex Sound Limited  
 Who Am I? Music Limited

*Previous*

AIR Music (London) Limited  
 AIR Music Publishing Limited  
 Chrysalis Records Limited  
 Chrysalis Television Facilities Limited  
 Ian Anderson Music Limited  
 Royalties Computations Limited  
 The British Phonographic Industry Limited  
 Video Performance Limited  
 Pearhill Plc  
 The Wright Label Limited

(ii) *J S H Crane*

*Current*

None

*Previous*

None

(iii) *P A Hart*

*Current*

None

*Previous*

None

(iv) *N G G Blackburn*

*Current*

Ticketmaster UK Limited

*Previous*

Ticketmaster (UK) Limited  
 Chess Set Limited  
 Strongman Management Limited  
 Melannora Limited  
 Mistral Music Limited  
 Just Space Limited  
 EX-TM Limited

(v) *N R A Butterfield*

*Current*

AHDE Limited  
Air Overworld Limited  
Armourvale Limited  
Bristol Channel Broadcasting Company Limited  
Chrysalis Books Limited  
Chrysalis Copyrights Limited  
Chrysalis Entertainment Limited  
Chrysalis Film Productions Limited  
Chrysalis Group plc  
Chrysalis Holdings Limited  
Chrysalis Investments Limited  
Chrysalis Land Limited  
Chrysalis Limited  
Chrysalis Multimedia Limited  
Chrysalis Music Limited  
Chrysalis Properties Limited  
Chrysalis Retail Entertainment Limited  
Chrysalis Songs Limited  
Chrysalis Television Mobiles Limited  
Chrysalis TV & Film (Overseas) Limited  
G W Mills Limited  
Heart TV Limited  
J A G Limited  
Lapishaven Limited  
Lasgo Exports Limited  
Loxfast Associates Limited  
Loxhart Associates Limited  
MAM Inns and Restaurants Limited  
MAM Leisure (Holdings) Limited  
MAM Leisure Limited  
Oxford Street Studios Limited  
Oystergreen Limited  
R Limited  
Ramboro Books plc  
Rojo Leisure Limited  
Speaking Books Ltd  
The Echo Label Limited  
The Hit Label Limited  
The Hit Record Company Limited  
The Ness Company Limited  
Tom Jones (Enterprises) Limited  
Who Am I? Music Limited  
Wildfire Limited

*Previous*

ACD Trading Limited  
Air Studios (Lyndhurst) Limited  
Blackrod Limited  
Bramley 1991 Limited  
Butterfly Records Limited  
C&M Distributors Limited  
Chrysalis Inflight Television Limited  
Chrysalis Knightsbridge Estates Limited  
Chrysalis Land (Mayfair) Limited  
Chrysalis VP Limited  
CMM (1996) Limited  
Freston 1991 Limited  
Gaines Survey Limited  
Gainesmead Management Limited  
Galaxy Radio Wales and the West Limited  
Giltbrook Studios Ltd  
Headingley Properties Limited  
Kenmar Leisure Limited  
MAM Amusement Sales Limited  
MAM Finance Limited  
MAM Properties Limited  
Multimega Limited  
Newbury Automatic Machines Limited  
Pearhill PLC  
Royalties Computations Limited  
RVH 1991 Limited  
Takecredit Limited  
The Shaftesbury Music Company Limited  
Tugham Crane (Music) Limited

(vi) *R B Collier*

*Current*

Corporate Insignia Limited

*Previous*

Intercontinental Hotels Group Limited

(vii) *N A Duncanson*

*Current*

Chrysalis Television Limited

*Previous*

None

(viii) *A S R Jones*

*Current*

Gerrard Group PLC  
Gerrard & King Ltd  
Gerrard & National Securities Ltd  
GNI Financial Products Limited  
GNI Limited  
King & Shaxson Holdings PLC  
Music Market Services Ltd

*Previous*

None

(ix) *C J C Levison*

*Current*

Chrysalis Group Plc  
Chrysalis Radio Midlands Limited  
Clarion Media Europe Limited  
Dagenham Motors Group plc  
European Leisure plc  
Galaxy Radio Wales and the West Limited  
Heart of London Radio Limited  
SCi (Sales Curve Interactive) Limited  
SCi Entertainment Group plc

*Previous*

Chrysalis Film Productions Limited  
CPV-TV Holdings Limited  
CPV-TV Limited  
English Rugby Partnership Limited  
Heart of the North West Radio Limited  
Honour Publications Limited  
ICA Projects Limited  
ICA Television Limited  
Institute of Contemporary Arts Limited  
Red Rooster Pictures Limited  
The Echo Label Limited  
The Theatre Museum Association Limited  
The Wright Label Limited  
YCTV Limited  
Young People's Community Training Foundation

(x) *M A Rigby*

*Current*

Lambert Smith Hampton Group Limited

*Previous*

None

- (i) None of the Directors currently is or has during the last five years been a partner of any partnership.
- (j) No Director has:
- (i) any unspent convictions for indictable offences;
  - (ii) been declared bankrupt;
  - (iii) been subject to any public criticism by statutory or regulatory authorities;
  - (iv) been disqualified by a court from acting as a director of or in the management of any company;
  - (v) been a director of a company which has been placed in receivership or liquidation whilst he was a director of that company or within the twelve months after he ceased to be a director of that company; or
  - (vi) been a partner of a partnership which has been placed in liquidation or administration;
- except the following:
- Mr Butterfield was a non-executive director of Giltbrook Limited, which was placed in receivership in 1991, and of Showplay Limited which was placed in liquidation in 1988.
- In November 1988, some weeks after Mr Levison resigned his directorship of Superchannel Limited, that company was placed in administration. The administration was successfully completed and the company continued to trade.

## 6. Substantial shareholders

- (a) In addition to the interests of the Directors set out in paragraphs 5(a) and 5(b) above, as at 16 February 1999, being the latest practicable date prior to the publication of this document, so far as was known to the Company, the following persons were interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company.

	<i>Number of existing Ordinary Shares</i>	<i>Percentage of existing issued share capital</i>	<i>Percentage of Enlarged Issued Share Capital following the Open Offer*</i>
Trustees of Wasps Football Club	3,899,900	9.8	6.5
Jupiter Asset Management	2,774,423	6.9	4.6
James Arbib	2,500,000	6.3	4.2
St James Place Unit Trust Group	1,704,423	4.3	2.8

\*Assuming that none of these shareholders takes up their entitlement under the Open Offer.

- (b) Save as disclosed in paragraphs 5(a), 5(b) and 6(a) above, the Directors are not aware of any person who, directly or indirectly, is interested in 3 per cent. or more of the Company's issued share capital, or of any other persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

## 7. Share Option Scheme

- 7.1 The Company has adopted the Share Option Scheme enabling options ("Options") to be granted to Directors and senior employees. The Share Option Scheme is not approved by the Inland Revenue for the purposes of Income and Corporation Taxes Act 1988. The Share Option Scheme is administered by the Remuneration Committee of the Board (the "Committee").

- 7.2 A summary of the principal terms and conditions of the Share Option Scheme is set out below:

### (a) Grant of Options

There is no price payable for the grant of an option, regardless of the number of shares over which the option is exercisable.

At the date of this document, Options have been granted over a total of 405,000 existing Ordinary Shares, exercisable at 72p per share. In addition J S H Crane is entitled (pursuant to his service agreement (summarised in paragraph 8(b)(i) below)) to have granted to him, at the Company's option, options over 200,000 Ordinary Shares in the Company at an exercise price of 20p per share. The Directors intend to grant such options if resolution 1 in the EGM Notice is passed at the Extraordinary General Meeting (such grant to take place as soon as practicable thereafter).

### (b) Limits

The maximum number of shares over which options to subscribe can be granted under the Share Option Scheme may not on any day, when added to the number of shares which immediately prior to that day shall have been or remain to be issued pursuant to the Share Option Scheme, exceed 5 per cent. of the ordinary share capital of the Company in issue immediately prior to that day.

### (c) Exercise of Options

The Options may be exercised on the occurrence of the earlier of the following events provided that, subject to certain exceptions set out in 7.2(d) below, the participant is at the relevant date an officer or employee of the Group and that, in the case of 7.2(c)(ii) below, certain performance criteria set by the Committee which currently relate to share price performance compared with the FT-SE Actuaries Media Index are met:

- 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 of control of the Company; or
- the third anniversary of the relevant date of grant.

Any unexercised options will lapse on the seventh anniversary of the date of grant.

### (d) Employees leaving the Group

Unless the Board determines otherwise, when a participant dies his option lapses unless he has become entitled to exercise it at the date of his death because, for example, three years have elapsed since the date of its grant and all conditions relating to its exercise have been met. When a participant ceases to be



a Director or employee of any member of the Group, unless the Board determines otherwise, his option normally lapses except where he has already become entitled to exercise his option at the date when he ceases to be a Director or employee of any members of the Group.

(e) *Other provisions*

On any reorganisation of the share capital of the Company, the subscription price and/or the number of shares comprised in an option, may be varied in such manner as the Committee may determine, subject to constraints to prevent the amount payable by an Optionholder being less than the adjusted nominal value of a share. The Share Option Scheme includes provisions to allow the Company to pay participants cash instead of issuing shares pursuant to the exercise of an option, at the Board's discretion.

**8. Directors' service agreements**

- (a) The aggregate amount of the remuneration paid and benefits in kind granted to the Directors (and to former directors of the Company) for the financial year ended 31 May 1998 was £373,000 (including pension contributions). The Directors estimate that the aggregate amount payable and benefits in kind to be granted to the Directors under the arrangements in force at the date of this document for the current 12 month financial period will amount to approximately £500,000.
- (b) Save as set out below, there are no service agreements in existence between any Director and the Company or any of its subsidiaries which have more than 12 months to run and there are no service agreements which have been amended or replaced by any such contract entered into within six months of the date of this document:
  - (i) Simon Crane entered into a service agreement with the Company on 29 May 1998 with effect from 28 July 1998. He is entitled to a salary of £125,000 per annum and received a one-off payment of £90,000 upon commencement of employment. He is also entitled to a performance related bonus capped at £125,000 (or his base salary from time to time) and to receive pension contributions amounting to 15 per cent. of his salary. His other benefits comprise use of an executive company car, life insurance providing cover of four times annual salary, permanent health insurance and private patient medical expenses insurance for himself and his family and phantom share options (or at the Company's option equivalent stock options) over 200,000 ordinary shares in the Company at an exercise price of 20p per share which are exercisable as if granted under the Share Option Scheme. His service agreement is for an initial two year fixed term and is terminable upon 12 months' notice in writing by either party with effect from 28 July 1999.
  - (ii) Paul Hart entered into a service agreement with the Company on 16 October 1996. He is entitled to a salary of £60,000 per annum, a performance related bonus capped at £10,000. His other benefits comprise use of an executive company car, life insurance providing cover of twice his salary, permanent health insurance and private health insurance for himself and his family. He does not receive pension contributions from the Company. His service agreement is terminable on six months' notice in writing by either party.
  - (iii) Mark Rigby, Nigel Butterfield, Neil Duncanson, Robert Collier, Charles Levison, Nick Blackburn and Ross Jones are each appointed as non-executive Directors of the Company pursuant to the following terms:
    - (a) retirement by rotation at every third annual general meeting of the Company;
    - (b) automatic termination of appointment with no compensation in the event of disqualification from acting as a director or if the Company is taken over;
    - (c) a fee of £5,000 per annum plus an additional £2,500 upon appointment to one or more of the Audit Committee and the Remuneration Committee. This fee has been waived by each of the aforementioned non-executive Directors with effect from 1 September 1998; and
    - (d) such other benefits as may be decided to be appropriate by the Remuneration Committee.
  - (iv) By an agreement dated 16 October 1996 between the Company and Chrysalis Group plc, Mr Wright was appointed (with effect from September 1996) as a non-executive Director of the Company on the following terms:
    - (a) retirement by rotation on every third annual general meeting of the Company;
    - (b) subject to (a) above, termination of appointment on 12 months' notice by the Company or Chrysalis Group plc (who are providing Mr Wright's services to the Company);
    - (c) automatic termination of the appointment without compensation in the event of disqualification from acting as a director or if the Company is taken over;
    - (d) a fee of £8,000 per month (plus value added tax) payable to Chrysalis Group plc; and

(e) such other benefits as may be decided to be appropriate by the Remuneration Committee.

The Company has given notice to terminate this arrangement with effect from 28 September 1999.

Thereafter, Mr Wright will continue to act as non-executive chairman of the Company, without payment of a fee and otherwise on the same basis as the other non-executive Directors.

## 9. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company and its subsidiaries during the two years immediately preceding the date of this document and are or may be material:

- (a) Under a loan agreement dated 21 July 1998 between Barclays Bank plc and the Company, Barclays Bank plc agreed to provide the Company with a loan facility of £4,000,000 (the "Loan Facility") until 30 June 1999 for the purposes of funding losses and player purchases. Interest on the Loan Facility is payable at an annual rate of 2 per cent. per annum above the base rate of Barclays Bank plc from time to time. The Loan Facility was secured by a limited personal guarantee of £4,000,000 from Mr Wright supported by a charge over his shares in Chrysalis Group plc.
- (b) Under a facility letter between the Company and Barclays Bank plc dated 21 July 1998, Barclays Bank plc agreed to provide an overdraft facility of £2,000,000 ("the Overdraft") and ancillary facilities of £475,000 ("the Ancillary Facilities") to the Company.

The Overdraft is repayable upon written demand by Barclays Bank plc and may be cancelled by the Bank at any time. In the absence of demand or cancellation by the Bank, the Overdraft is available until 30 June 1999. The Overdraft is subject to interest at the annual rate of 2 per cent. per annum over Barclays Bank plc's base rate from time to time. Borrowings in excess of the agreed limit of £2,000,000 will be charged at an annual rate of 4 per cent. above Barclays Bank plc's base rate from time to time.

The Ancillary Facilities have been made available until 30 June 1999 for the purpose of assisting with the payment of salaries.

The Company's obligations under this facility letter are secured by a new debenture from the Company, a new legal charge over the Loftus Road Stadium, a new legal charge over the Group's land at Sudbury, the existing debentures dated 5 November 1997 from QPR and Wasps and the existing guarantee dated 5 November 1997 from QPR in favour of the Company.

- (c) Under a loan agreement dated 13 August 1998 between Barclays Bank plc and the Company, Barclays Bank plc agreed to provide the Company with a loan facility of £1,000,000 until 30 November 1998 for the purpose of providing working capital ("the Short Term Loan Facility"). The Short Term Loan Facility is subject to interest at the annual rate of 2 per cent. above the base rate of Barclays Bank plc from time to time and is secured by a limited but unsupported guarantee of £1,000,000 from Mr Wright. By a letter agreement dated 30 November 1998 Barclays Bank plc agreed to extend the date for repayment of the Short Term Loan Facility from 30 November 1998 until 25 March 1999. The extended Short Term Loan Facility is in all other respects subject to identical terms as the original Short Term Facility.
- (d) Under a facility letter dated 22 December 1998 between Barclays Bank plc and the Company, Barclays Bank plc agreed to provide the Company with a loan facility of £1,000,000 for the purposes of the Open Offer (the "Open Offer Loan Facility"). The Open Offer Loan Facility is subject to interest at an annual rate of 2 per cent. above the base rate of Barclays Bank plc from time to time and is available until 25 March 1999. The Open Offer Loan Facility is secured by a limited but unsupported guarantee of £1,000,000 from Mr Wright;
- (e) Under the terms of a conditional loan agreement entered into on 16 March 1999 between Mr Wright and the Company, Mr Wright agreed to make available to the Company a loan of £1,400,000 (the "Loan Agreement Facility"). Interest is payable on the Loan Agreement Facility at an annual rate of 2.5 per cent. per annum above the base rate of National Westminster Bank plc from time to time. A facility fee of £10,000 is payable by the Company in respect of this facility. The Loan Agreement Facility is repayable on demand by Mr Wright at any time on or after the first anniversary of the date of the Loan Agreement.
- The Loan Agreement Facility is secured by a fixed and floating debenture by the Company in favour of Mr Wright.
- (f) Under a facility letter dated 9 February 1999 between Barclays Bank plc and the Company, Barclays Bank plc agreed to provide the Company with a facility of £750,000 (the "Twyford Facility") for the purpose of financing the acquisition of Twyford Avenue Sports Ground (described in paragraph 9(h) below). The Twyford Facility is for a term of 10 years repayable quarterly in equal instalments with the final repayment due in 2009. Interest on the Twyford Facility will be payable at an annual rate of 2 per

cent. above the base rate of Barclays Bank plc from time to time. The Twyford Facility is secured by a first legal charge in favour of Barclays Bank plc over the land being acquired by the Company. Either on or before 30 June 1999 the Twyford Facility will be further secured by a new debenture from the Company, a new first legal charge over the Loftus Road Stadium or a new second legal charge over the Group's land at Sudbury.

- (g) Under an agreement dated 17 February 1999 between the Company, Peel Hunt and Mr Wright, Mr Wright has agreed to fully underwrite the Open Offer at the Open Offer Price in respect of a total of 14,453,499 new Ordinary Shares. Peel Hunt has agreed to act as nominated adviser, nominated broker and financial adviser in connection with the Open Offer. Under the agreement the Company has agreed to pay to Peel Hunt a corporate finance fee of £100,000 (exclusive of any applicable VAT).

The Company will pay all other costs, charges and expenses of or incidental to the Open Offer, including the fees of the London Stock Exchange, the Panel, printer's costs, registrars' fees, the Company's legal expenses and the reasonable out of pocket expenses of and the legal fees incurred by Peel Hunt.

The Open Offer Agreement is conditional, *inter alia*, upon the passing of the Resolutions and upon Admission being effective not later than 9.00 a.m. on 15 March 1999 (or such later time and/or date as shall be agreed between the Company and Peel Hunt being not later than 9.00 a.m. on 31 March 1999).

The Open Offer Agreement contains certain warranties by the Company in favour of Peel Hunt and provides that Peel Hunt may terminate the Open Offer Agreement at any time in the event of the Company not having complied with its obligations under the Open Offer Agreement or there having been a breach by the Company of the warranties set out therein in each case which is material in the context of the Open Offer as a whole.

- (h) By an agreement dated 10 February 1999, the Company has agreed to acquire the Twyford Avenue Sports Ground in Acton, West London from BG plc. The price to be paid is £1,000,000. Completion will take place on 11 March 1999. Both Wasps and QPR will use the facility for training in conjunction with local schools adjoining the ground. As part of the transaction, it has been agreed that BG plc will be entitled to 50 per cent. of the net increase in land value if planning permission or permissions are obtained for the development or change of use of the ground or any part of it within 4 years from the completion date. These overage provisions do not and will not apply to the existing uses to which the ground is currently put. The acquisition is financed by the Twyford Facility (described in paragraph 9(f) above).
- (i) Under an agreement dated 28 January 1998 between QPR and Singer & Friedlander Limited relating to the transfer of Trevor Sinclair from QPR to West Ham United plc, QPR and the Company agreed to guarantee the payment of £1,880,000 by West Ham plc to Singer & Friedlander Limited, such payment being divided into three instalments of £630,000, £625,000 and £625,000 payable on 16 August 1998, 16 January 1999 and 16 August 1999 respectively. As security for such guarantee West Ham United plc has assigned to QPR monies due to West Ham United plc from the broadcast of FA Premier League games. In addition West Ham United plc has granted QPR the option to require the registration of Trevor Sinclair to be temporarily transferred back to QPR pending receipt of the aforementioned FA Premier League monies.

#### 10. Market quotations

The table below shows the middle market quotations for the existing Ordinary Shares as derived from AIM at the close of business on the first dealing day in each of the six months preceding before the date of this document and on 16 February 1999 (being the last business day prior to the publication of this document):

Date	price(p)
1 September 1998	13.5
1 October 1998	12.25
2 November 1998	10.5
1 December 1998	15.0
4 January 1999	20.0
1 February 1999	14.5
16 February 1999	14.0

#### **11. Litigation**

Neither the Company nor any of its subsidiary undertakings are nor have been engaged in any legal or arbitration proceedings which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the Group's financial position nor, so far as the Directors are aware, are any such proceedings pending or threatened.

#### **12. Working capital**

In the opinion of the Company, having made due and careful enquiry, after taking into account the existing facilities available to the Group (including Mr Wright's confirmation of financial support) together with the proceeds of the Open Offer and the loan to be made pursuant to the Loan Agreement, the working capital available to the Group is sufficient for its present requirements.

#### **13. No material change**

Save as disclosed in the unaudited interim accounts for the six months ended 30 November 1998, there has been no material change in the financial or trading position of the Group since 31 May 1998, the date to which the last audited consolidated accounts of the Company were made up.

#### **14. Taxation**

A guide to the general tax position of Qualifying Shareholders is contained in Part II of this document. Any person who is in any doubt as to his tax position should consult a professional independent adviser.

#### **15. General**

- (a) The Company's nominated advisor and nominated broker is Peel Hunt whose principal place of business is at 62 Threadneedle Street, London EC2R 8HP.
- (b) Peel Hunt has given, and has not withdrawn, its written consent to the issue of this document with the references to its name in the form and context in which they are included.
- (c) KPMG has given, and has not withdrawn, its written consent to the issue of this document with the references to its name in the form and context in which they are included.
- (d) The registered office of the Company is at Hanover House, 14 Hanover Square, London W1R 0BE.
- (e) The new Ordinary Shares are being issued at a price of 13p per share representing a premium of 12p over the nominal value of 1p per new Ordinary Share.
- (f) The costs, charges and expenses of and incidental to the Open Offer, (including the cost of the application for the new Ordinary Shares and the reduced Ordinary Shares to be admitted to trading on AIM) payable by the Company are estimated to amount to approximately £325,000 (including value added tax).
- (g) As sufficient monies will be raised (as a result of the irrevocable undertakings given by those Directors who are also Shareholders and, in the event that the new Ordinary Shares offered under the Open Offer are not fully taken up, the underwriting commitment of Mr Wright pursuant to the Open Offer Agreement and the facility to be provided by Mr Wright pursuant to the Loan Agreement) there is no minimum amount which, in the opinion of the Directors, must be raised by the Open Offer to provide the sums required in respect of each of the matters set out in paragraph 21 of Schedule 1 to the POS Regulations.
- (h) The Company is not dependent on any patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- (i) The Company has no significant investments in progress save as disclosed in this document.
- (j) It is the Directors' intention that the Open Offer will not directly affect the continued employment of employees of any member of the Group.
- (k) CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles of Association of the Company permit the holding and transfer of ordinary shares under CREST.
- (l) A copy of this document will be available free of charge at The Loftus Road Stadium, South Africa Road, London W12 7PA for the period from the date of this document up to and including 15 March 1999.

#### **16. Documents available for inspection**

Copies of the following documents may be inspected at Hanover House, 14 Hanover Square, London W1R 0BE (the registered office of the Company) during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this document up to and including 15 March 1999:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in paragraph 9 above;
- (c) the written consents referred to in paragraph 15(b) and 15(c) above;
- (d) the irrevocable undertakings referred to in Part I;
- (e) the statutory audited consolidated accounts of the Company for the two financial years ended 31 May 1998;
- (f) the unaudited interim report as set out in Part III;
- (g) the service contracts and letters of appointment of the Directors referred to in paragraph 8 above;
- (h) the rules of the Share Option Scheme; and
- (i) this document.

The date of this prospectus is 17 February 1999.

## LOFTUS ROAD PLC

(Registered in England and Wales with Reg. No. 3197756)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Twyford Avenue Sports Ground, Twyford Avenue, Acton, London W3 on 12 March 1999 at 3.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions of which Resolutions 1, 2 and 3 will be proposed as special resolutions and resolutions 4, 5 and 6 will be proposed as ordinary resolutions:

#### SPECIAL RESOLUTIONS

1. THAT:

- (a) each of the issued and unissued Ordinary Shares of 50p each in the capital of the Company be sub-divided into 1 Ordinary Share of 1p and 1 Non-Voting Share of 49p and the Preference Share of 50p in the capital of the Company be sub-divided into 1 Preference Share of 1p and 1 Non-Voting Share of 49p in each case having attached thereto the rights and being subject to the restrictions set out in the Articles of Association of the Company as altered by this Resolution;
- (b) the authorised share capital of the Company be increased from £22,500,000 to £22,800,000 by the creation of 30,000,000 Ordinary Shares of 1p each which shall rank in all respects *pari passu* as one uniform class with the Ordinary Shares of 1p each created by paragraph (a) of this Resolution;
- (c) the Articles of Association of the Company be altered by deleting the existing Article 4 and substituting therefor the following new Article 4:

“4. At the date of the adoption of this Article the authorised share capital of the Company is £22,800,000 divided into 74,999,999 Ordinary Shares of 1p each, 45,000,000 Non-Voting Shares of 49p each and one Preference Share of 1p.”;
- (d) the Articles of Association of the Company be altered by including therein after the existing Article 4, the following new Article 4A:

“4A The rights and privileges attached to the Non-Voting Shares are as follows:

  - (i) As regards income

The Non-Voting Shares shall rank *pari passu* with the Ordinary Shares as to rights to receive income.
  - (ii) As regards capital

Notwithstanding the provisions of Article 159, the Non-Voting Shares shall rank *pari passu* with the Ordinary Shares as to rights to receive repayment of any amounts paid up or credited as paid up thereon and any surplus on a return of assets on liquidation or otherwise. Such surplus is to be paid *pro rata* according to the nominal amounts paid up or credited as paid up on any class of share (but, for the avoidance of doubt, any premium paid up or credited as paid up on any class of share shall be disregarded for the purpose of calculating such nominal value).
  - (iii) As regards voting

The holders of the Non-Voting Shares shall have no right to receive notice of, or to attend, speak or vote either in person or by proxy at, any general meeting by virtue of their holdings of such Non-Voting Shares.
  - (iv) As regards modification of rights

Neither the passing by the Company of any special resolution for the cancellation of the Non-Voting Shares for no consideration by means of a reduction of capital requiring the confirmation of the High Court nor the obtaining by the Company nor the making by the High Court of an order confirming any such reduction of capital nor the making effective of such an

order shall constitute a modification or abrogation of the rights or privileges attaching to the Non-Voting Shares and accordingly the Non-Voting Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Statutes without any such sanction on the part of the holders of the Non-Voting Shares as is required by Articles 6 and 7. Notwithstanding any other provisions of these Articles, and unless specifically required by the Statutes, the Company shall not be required to issue any certificates in respect of the Non-Voting Shares.

(v) As regards further issues

The special rights conferred by the Non-Voting Shares shall not be deemed to be modified or abrogated by the creation or issue of further shares ranking *pari passu* with or in priority to the Non-Voting Shares.”;

- (e) the Articles of Association of the Company be altered by deleting the existing Article 130 and substituting therefor the following new Article 130:

“130 All dividends shall be apportioned and paid proportionately to the nominal amounts paid up or credited as paid up on the shares otherwise than in advance of calls during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.”; and

- (f) the authorised share capital of the Company be reduced by cancelling and extinguishing each of the issued and unissued Non-Voting Shares of 49p each in the capital of the Company for no consideration.

2. THAT, subject to (i) the Open Offer Agreement (as defined in the circular to shareholders dated 17 February 1999 containing the notice of this meeting (“the Circular”)) becoming unconditional in all respects (save only as regards admission to trading on the Alternative Investment Market of the new Ordinary Shares and of the reduced Ordinary Shares (each as defined in the Circular) and the passing of any of the Resolutions set out in this notice) and (ii) the passing of Resolutions 1, 4, 5 and 6, in substitution for all existing powers and authorities:

- (a) The Directors be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (“the Act”) to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £300,000 provided that this authority shall expire five years after the date of the passing of this Resolution and that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired and in this Resolution the expression “relevant securities” and references to the allotment of relevant securities shall bear the same respective meanings as in section 80 of the Act.
- (b) the Directors be and they are hereby generally empowered pursuant to section 95 of the Act to allot equity securities wholly for cash pursuant to the authority conferred by paragraph (a) of this Resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- (i) the allotment of equity securities in connection with an offer of such securities (whether by open offer, rights issue or otherwise) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may, in their absolute discretion, deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, any territory; and
- (ii) the allotment of equity securities otherwise than pursuant to paragraph (i) above up to an aggregate nominal amount of £29,997.50

and shall expire on the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 15 months from the date of passing of this Resolution whichever is earlier, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired, and in this Resolution the expression "equity securities" and references to the allotment of equity securities shall bear the same respective meanings as in section 94 of the Act.

3. THAT forthwith upon the reduction of capital proposed by paragraph (f) of Resolution 1 becoming effective, the Articles of Association of the Company be altered by deleting the existing Articles 4 and 4A and substituting therefor the new Article 4:

"4. At the date of the adoption of this Article the authorised share capital of the Company is £750,000 divided into 74,999,999 Ordinary Shares of 1p each and one Preference Share of 1p."

### ORDINARY RESOLUTIONS

4. THAT, subject to the passing of Resolutions 1, 2, 5 and 6, the waiver by The Panel on Takeovers and Mergers of the obligation which would otherwise arise under Rule 9 of the City Code on Takeovers and Mergers for Christopher Norman Wright to make a general offer to all the shareholders of the Company as a result of the increase in the percentage of voting rights of the Company held by him up to a maximum of 53.46 per cent. by virtue of his underwriting the Open Offer (as defined in the circular to shareholders dated 17 February 1999 containing the notice of this meeting) be and is hereby approved.
5. THAT subject to the passing of Resolutions 1, 2, 4 and 6, the underwriting by Christopher Norman Wright of the Open Offer (as defined in the circular to shareholders dated 17 February 1999 containing the notice of this meeting) on the terms and conditions of an agreement dated 17 February 1999 and made between (1) the Company (2) Christopher Norman Wright and (3) Peel, Hunt & Company Limited (a copy of which agreement is produced to the meeting) be and is hereby approved subject to such minor amendments, variations or waivers as may be approved by the Directors of the Company and the Directors be and are hereby authorised to take all steps necessary to implement the same in accordance with its terms.
6. THAT the proposed loan by Christopher Norman Wright to the Company on the terms and conditions of the agreement dated 16 March 1999 made between (1) Christopher Norman Wright and (2) the Company (a copy of which agreement is produced to the meeting) be and is hereby approved subject to such minor amendments, variations or waivers as may be approved by the Directors of the Company and the Directors be and are hereby authorised to take all steps necessary to implement the same in accordance with its terms.

17 February 1999

*Registered Office*  
Hanover House  
14 Hanover Square  
London W1R 0BE

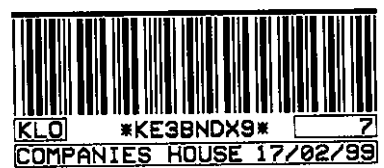
BY ORDER OF THE BOARD  
Paul Hart  
Secretary

#### *Notes:*

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of that member. A proxy need not be a member of the Company.
2. To be valid, Forms of Proxy, duly signed, together with the power of attorney or authority (if any) under which they are signed (or a certified copy of such power of authority) must be lodged with Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 3UH, by no later than 3.00 p.m. on 10 March 1999. Completion of a Form of Proxy will not preclude members from attending and voting in person.
3. The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 11 March 1999 shall be entitled to attend or vote at the above meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00 p.m. on 11 March 1999 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. Voting on Resolution 4 is required to be conducted on a poll in accordance with the requirements of The Panel on Takeovers and Mergers for dispensation from Rule 9 of the City Code on Takeovers and Mergers.



RF57965



Printed by Royle Financial Print

*Royle*