QPR Holdings Ltd (formerly QPR Holdings Plc)

Annual Report and Financial Statements

31 May 2004
Registered number 3197756

Contents

Directors

Non-Executive

William Power (51) (Chairman)

is an Executive Director of Datasat Communications. He joined the Board on 3 July 2003.

Kevin McGrath (41)

is a Partner at REIT Asset Management. He joined the Board on 19 December 2002.

Olga Paladini (52)

joined the Board as a representative of Moorbound Limited on 15 September 2004.

Carlos Dunga (41)

joined the Board as a representative of Barnaby Holdings LLC on 13 October 2004

Gualtiero Trucco (34)

joined the Board as a representative of Wanlock LLC on 10 November 2004.

Company Secretary

Chris Pennington

was appointed Company Secretary on 10 November 2004.

Advisors and shareholder information

Auditors
Rothman Pantall & Co
Clareville House
26/27 Oxendon Street
London
SW1Y 4EP

Group Offices
QPR Holdings ltd
Loftus Road Stadium
South Africa Road
London W12 7PA
Telephone 020 8743 0262
Fax 020 8740 2525

Legal Advisors
Davis & Co
Flint Barn Court
Church Street, Amersham
Buckinghamshire HP7 0DB

Registered Office
Loftus Road Stadium
South Africa Road
London W12 7PA

Bankers
Barclays Bank Plc
27 Soho Square
London
W1A 4WA

Company Registration Number
3197756

Registrars and Transfer Office
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DB
Telephone 01903 502541
Fax 01903 854031

Queens Park Rangers Football and Athletic Club Ltd.
Fax 020 8749 0994
http://www.qpr.co.uk

Chairman's Statement

The attached accounts relate to the financial period before I was given the great honour of being elected Chairman.

The financial year 2003/04 was another very difficult trading period with the club incurring losses of £4.3 million for the second successive year.

Despite this we achieved automatic promotion as runners-up of Nationwide Division Two (now Coca Cola Division One) to Nationwide Division One (now the Coca-Cola Championship).

The significant post period event was that the club achieved not only its initial target of staying in the Coca Cola Championship but for most of the season was in with a good chance of getting into the play-offs for the Premiership.

Since the year end the resolution to change the status of the Company from a public limited company to private ownership was passed at the last AGM.

Results and Dividends

During the period under review, the Group recorded a loss before interest and taxation of £3,194,000 (2003 – loss of £3,288,000) after accounting for loss on disposal of players' registrations of £nil (2003 – loss of £47,000), profit on disposal of fixed assets of £nil (2003 – profit of £63,000) and exceptional income of £nil (2003 - £nil). Turnover for the year was £8,119,000 (2003 - £7,322,000). The loss per ordinary share amounted to 6.84 pence (2003 – loss of 7.0 pence). The Directors do not propose the payment of a dividend for the year under review (2003 - £nil).

Net Assets

Net assets as at 31 May 2004 amounted to £2,194,000 (2003 - £1,621,000) representing net assets per Ordinary share of 3.45 pence (2003 – 2.66 pence). In accordance with Financial Reporting Standard 10, no amount is included in the balance sheet to reflect the value of home grown players or any market valuation of the playing squad.

Operational Review

a) Football Activities

Ian Holloway inspired the team to go one better than the previous season and achieved automatic promotion to the Coca-Cola Championship. We achieved this by being the only team in the Football League for the 2003/04 season not to lose a game at home which is a tremendous achievement for the players, the football management and the fans. The team scored 80 league goals during the campaign (69 in 2002/03) with Kevin Gallen (17 goals) and Paul Furlong (16 goals) leading the attack.

Having successfully recovered from his broken leg Martin Rowlands made an impressive start to his QPR career and was both the Fan's and the Player's choice as "Player of the Year".

Danny Shittu built up a solid partnership with Clarke Carlisle in the centre of defence before suffering cruciate ligament damage which put him out for most of the season.

During the season Richard Langley was sold to Cardiff, whilst Kevin McLeod (Everton), Tony Thorpe (Luton), Gareth Ainsworth (Cardiff) and Marcus Bignot (Rushden & Diamonds) were brought into the squad alongside Jamie Cureton whose return from Korea was financed by the "Our QPR" fans group.

Average attendances were up for the fourth successive year to14,815 (2002/03 13,188).

b) Ground Share

For the period covered by these accounts, Loftus Road was shared between QPR and Fulham FC. Since the close of the 2003/04 season Fulham has returned to Craven Cottage. The London Wasps Rugby Football Club is contractually obligated to return to Loftus Road for the 2005/06 season. However this is unlikely to happen and negotiations are underway with London Wasps to resolve this issue.

c) Commercial Activities

Central funding received from the Football League for the year under review was £322,000 (£439,000 in 2002/03).

The success of team on the field has led to a rise in the number of people attending games, and the average attendance of 14,815 for 2003/2004 (13,188 for 2002/03) made us the second best attended club in Division Two. As a result of this, a rise has been seen in the amount of revenue derived from both season ticket and day purchases. Furthermore, we are pleased to say that at the end of season 2003/2004, the number of season ticket holders stood at 8,795 (7,700 in 2002/03). These figures have shown the continuing high level of support from our fans.

Revenues for match day and season tickets show a rise of £632,000 (an increase of 18%).

Overall, commercial revenues show an increase of 5% on the previous year despite having fewer matches than 2002/03. Merchandise sales increased by £427,000 which was offset by the termination of the MacAlpine stand sponsorship deal (£382,000 in 2002/03).

Merchandise sales have continued their remarkable growth, increasing by 64% on 2002/03. This was partly due to the increase in internet and mail order sales and partly due to the continual introduction of new accessory and leisure clothing lines. Staff in this area have achieved startling results over the past twelve months and are now a major revenue stream to the club.

Board Structure and Staff

During the period under review Harold Winton resigned (September 2003), William Power joined the Board in late 2003 and Mohammed Azeem Malik joined in April 2004.

Since the year end Ross Jones, Nick Blackburn and David Davies resigned from the Board in June 2004. Olga Paladini joined the board (replacing Azeem Malik) in September 2004, Carlos Dunga joined the board as the representative of the Barnaby Holdings LLC consortium in October 2004 and Gualtiero Trucco joined the board as the representative of the Wanlock LLC consortium in November 2004.

Outlook

The Football League teams are still suffering from the collapse of the On-Digital TV deal and the subsequent loss of revenue that left many clubs very weak financially. The Banks and Financial institutions continue to regard all Football League teams as high risk customers. This makes it very difficult to obtain financing or refinancing on terms that would normally be available to ordinary businesses.

This means that it is extremely important for the club to prove that it can manage its affairs as efficiently as possible. A solid business performance alongside a solid team performance will encourage the banks and financial institutions to reassess their current position.

If the imposition of transfer windows on the Football League by FIFA is enforced then clubs will have to increase their playing squads as they will be unable to either buy or loan players between August & January. This may also impact on the Football League objective of bringing football wages in line with revenues and reverse the trend of falling player costs.

Future Prospects

To bring about a break-even situation, and eventually make the club self-financing, the Board is well aware that costs need to be controlled whilst increasing revenues.

This has been made easier by the continuing success of the first team and the new positive attitude amongst the management, staff and fans. This bodes well for the future and has encouraged new investors and sponsors to take a more positive view of the club.

That success has seen season ticket holders reach almost 11,000 in 2003/04, which is an all-time record high, and the expectation is that the club will be a major force in the Coca-Cola Championship for the next few seasons prior to mounting a challenge for the Premiership.

William Power
Chairman
May 2005

Directors' report

Statement of Directors' Responsibilities

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

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

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

Results and Dividend

The results of the Group for the year are set out on pages 11 to 28. The Directors do not recommend the payment of any dividend for the year ended 31 May 2004.

Principal Activities and Review of Business

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

Directors and their Interests

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

	At 31 May 2004		At 31 May 2003	
	Ordinary Shares	**Options**	Ordinary Shares	Options
Ross Jones	**1,353,846**	-	1,353,846	-
Nick Blackburn	**10,500**	-	10,500	25,000
David Davies	**-**	-	-	-
Kevin McGrath	**8,790,740**	-	6,269,712	-
William Power	**3,076,923**	-	-	-
Azeem Malik	-	-	-	-

During the period under review Harold Winton resigned on 12 September 2003.

On 3 July 2003, William Power became a Director of the Company. On 15 April 2004, Mohammed Azeem Malik, representing Moorbound Limited, became a Director of the Company.

On 18 June 2004, David Davies resigned as a Director and on 24 June 2004, Ross Jones and Nick Blackburn resigned as Directors.

Biographical details of each of the Directors are shown on page 2. Further details of options held by each Director on 31 May 2003 are shown in note 5 to the financial statements.

Substantial Shareholdings

On 17 November 2004, the following holdings of Ordinary shares of 3% or more of the issued share capital of the Company have been notified or were recorded in the Company's register.

	No. of shares	Percentage
Wanlock LLC	19,900,000	19.9
Moorbound Limited	14,763,183	14.8
Chris Wright	10,255,000	10.3
Barnaby Holdings LLC	10,000,000	10.0
Tring Securities Limited	8,790,740	8.8
Bill Power	4,367,578	4.4

Corporate Governance

The Stock Exchange has previously published the Principles of Good Governance and Code of Best Practice (the Combined Code") which embraces the work of the Cadbury, Greenbury and Hampel Committees. Whilst the Group is not required to comply, the Directors support the recommendations of the Combined Code and detailed below are some of the procedures that the Directors feel are appropriate to a company of the size and nature of QPR Holdings Ltd.

Board of Directors

The Board, at the end of the period covered by these financial statements, comprised of one Executive and five Non-Executives and was responsible to the shareholders for the proper management of the Company. Harold Winton resigned on 12 September 2003 and Ross Jones, Nick Blackburn and David Davies all resigned in June 2004. The Board meets regularly to review trading performance, ensure adequate funding and ultimately oversee the decisions of the Company. All Directors will retire by rotation and offer themselves up for re-election at least once every four years.

The principal Board Committees during the year under review are shown below.

Since the board restructuring in June 2004 all the business of these board committees has been managed by the main board at their regular monthly meetings.

Remuneration Committee

As at the balance sheet date, the Remuneration Committee comprised of Ross Jones and Nick Blackburn The Committee's objective is to determine an overall remuneration package for the Executives sufficient to attract, motivate and retain high quality individuals, linking rewards to Company and personal performance.

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

Details of the Directors' remuneration and share options in the period under review appear in note 5 to the financial statements. In addition to their basic salary, the Executive Directors are entitled to performance related bonuses. The performance related bonuses are dependent upon attainment of a number of objectives including the teams' playing performance and the individual Director's performance in the achievement of certain financial and personal objectives. The Board as a whole determines the remuneration of the Non-Executive Directors. No Director votes on any proposal relating to his own remuneration.

Audit Committee

As at the balance sheet date, the Audit Committee comprised of Ross Jones, Nick Blackburn, Kevin McGrath and Paul English. The Committee reviews the interim report and financial statements. These financial statements, aspects of the Group's accounting and internal control systems and statutory and regulatory compliance are discussed prior to their publication with the Group's Finance Director and external auditors.

Commercial Committee

During the period under review the Commercial Committee comprised Nick Blackburn and Harold Winton. The Committee's objective is to evaluate commercial contracts as and when required and to consider tendering processes where applicable.

Internal Control

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

The Group's current internal control monitoring procedures include:

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

Going Concern

The Directors have reviewed the Group's budget for the current year and outline projections for the subsequent year including cash flows and forecasts of headroom available against current borrowing facilities, together with other likely sources of cash generation. Following this review the Directors have formed a judgement that, at the time of approval of the financial statements, the Group will have sufficient resources to continue operating in the foreseeable future and therefore consider it appropriate to prepare the financial statements on a going concern basis.

Post Balance Sheet Events

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

Policy on Payment of Creditors

The Company agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the suppliers. At this time the Company does not follow any code or statement on payment practice. At 31 May 2004 trade creditors as a ratio of purchases represents 89 days (2003: 81 days).

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing for the re-appointment of Rothman Pantall & Co as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

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

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

Chris Pennington
Company Secretary
12 May 2005

Consolidated Profit and Loss Account
For the year ended 31 May 2004

	Note	2004	2003
		£'000	£'000
Turnover	2	**8,119**	7,322
Playing staff and matchday costs		**(5,855)**	(5,701)
Stadium and other direct operating costs		**(1,787)**	(1,512)
Amortisation of players' registrations		**(382)**	(213)
Cost of sales		**(8,024)**	(7,426)
Gross profit / (loss)		**95**	(104)
Administrative expenses	4	**(3,288)**	(3,200)
Operating loss	2	**(3,194)**	(3,304)
Profit/(loss) on disposal of players' registrations		**-**	(47)
Profit on disposal of fixed assets		**-**	63
Loss on ordinary activities before interest and taxation		**(3,194)**	(3,288)
Interest receivable and similar income	7	**2**	31
Interest payable and similar charges	8	**(1,150)**	(1,017)
Loss on ordinary activities before taxation	3	**(4,342)**	(4,274)
Tax on loss on ordinary activities	9	**-**	-
Loss on ordinary activities after taxation		**(4,342)**	(4,274)
Dividends		**-**	-
Retained loss for the year	19	**(4,342)**	(4,274)
Loss per share	10	**(6.84p)**	(7.0p)
Diluted loss per share	10	**(6.84p)**	(7.0p)

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

The notes on pages 16 to 28 form part of these financial statements.

Consolidated Balance Sheet
As at 31 May 2004

	Note	2004		2003	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	12		**306**		243
Tangible assets	11		**18,053**		14,323
			18,359		14,566
Current assets					
Stocks	14	**143**		67	
Debtors	15	**355**		693	
Cash at bank and in hand		**1,334**		1,801	
		1,832		2,561	
Creditors: amounts falling due within one year	16	**(7,997)**		(5,506)	
Net current assets/(liabilities)			**(6,165)**		(2,945)
Total assets less current liabilities			**12,194**		11,621
Creditors: amounts falling due after more than one year	17		**(10,000)**		(10,000)
Net assets			**2,194**		1,621
Capital and Reserves					
Called up share capital	18		**668**		624
Share premium account	19		**6,134**		5,394
Revaluation reserve	19		**7,351**		3,220
Profit and loss account	19		**(11,959)**		(7,617)
Equity shareholders' funds			**2,194**		1,621

These financial statements were approved by the Board on 12 May 2005 and were signed on its behalf by:

Kevin McGrath
Director

William Power
Director

The notes on pages 16 to 28 form part of these financial statements.

Company Balance Sheet
As at 31 May 2004

	Note	**2004**		2003	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Tangible assets	11		**18,053**		14,323
Investments	13		**8,213**		8,213
			26,266		22,536
Current assets					
Stocks	14	**143**		67	
Debtors	15	**355**		693	
Investments		**-**		-	
Cash at bank and in hand		**1,334**		1,801	
		1,832		2,561	
Creditors: amounts falling due within one year	16	**(18,684)**		(16,216)	
Net current liabilities			**(16,852)**		(13,655)
Total assets less net current liabilities			**9,414**		8,881
Creditors: amounts falling due after more than one year	17		**(10,000)**		(10,000)
Net (liabilities)/assets			**(586)**		(1,119)
Capital and reserves					
Called up share capital	18		**668**		624
Share premium account	19		**6,134**		5,394
Revaluation reserve	19		**7,351**		3,220
Profit and loss account	19		**(14,739)**		(10,357)
Equity shareholders' funds			**(586)**		(1,119)

These financial statements were approved by the Board on 12 May *2005 and were signed on its behalf by:*

Kevin McGrath
Director

William Power
Director

The notes of pages 16 to 28 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 May 2004

	Note	2004		2003	
		£'000	**£'000**	£'000	£'000
Net cash outflow from operating activities	22		**(331)**		(1,012)
Returns on investments and servicing of finance					
Interest received		**2**		31	
Interest paid		**(1,150)**		(1,017)	
Net cash outflow from returns on investment and servicing of finance			**(1,148)**		(986)
Capital expenditure					
Payments to acquire tangible fixed assets		**(42)**		(151)	
Receipts from sales of tangible fixed assets		**-**		200	
Payments to acquire players' registrations		**(446)**		(79)	
Net cash inflow from capital expenditure			**(488)**		(30)
Cash inflow/(outflow) before financing			**(1,967)**		(2,028)
Financing					
Debts due within one year:					
New unsecured loan		**817**		200	
Repayment of unsecured loan		**(100)**		(554)	
Debt due beyond a year:					
New secured loan		**-**			
New Share Capital		**784**		160	
Capital element of finance lease rental payments		**(1)**		-	
			1,500		(194)
Decrease/(increase) in borrowings in the year	23		**(467)**		(2,222)

The notes on pages 16 to 28 form part of these financial statements.

Statement of Total Recognised Gains and Losses

For the year ended 31 May 2004

	Group	
	2004	2003
	£'000	£'000
Loss for the financial year	**(4,342)**	(4,274)
Unrealised surplus on revaluation of properties	**4,131**	-
Total recognised gains and losses in respect of the financial year	**(211)**	(4,274)

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 May 2004

	Group	
	2004	2003
	£'000	£'000
Loss for the financial year	**(4,342)**	(4,274)
Dividends	**-**	-
	(4,342)	(4,274)
New share capital subscribed	**44**	24
Share premium	**740**	136
Other recognised gains and losses relating to the year	**4,131**	-
Net increase / (reduction) in shareholders' funds	**573**	(4,114)
Opening shareholders' funds	**1,621**	5,735
Closing shareholders' funds	**2,194**	1,621

Notes to the Accounts

For the year ended 31 May 2004

1 **Accounting policies**

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

Basis of preparation

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

The Directors have reviewed the Group's budget for the current year and outline projections for the subsequent year including cash flows and forecasts of headroom available against current borrowing facilities, together with other likely sources of cash generation. Following this review the Directors have formed a judgement that, at the time of approval of the financial statements, the Group will have sufficient resources to continue operating in the foreseeable future and therefore consider it appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the results of QPR Holdings Ltd and its subsidiary undertakings made up to 31 May 2004. The Company has taken advantage of the exemption under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account. The loss after taxation for the period includes a loss of £4,388,000 dealt with in the financial statements of the Company.

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.

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

Turnover

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

Fixed assets and depreciation

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

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

Stocks

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

Player registrations

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

Player signing-on fees

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

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

Leases

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

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

Pension costs

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

2 Turnover and Operating loss

	2004 £'000	2003 £'000
Turnover		
Matchday receipts	**4,095**	3,463
Television and media	**388**	493
Sponsorship, merchandising and commercial income	**1,877**	1,792
Other	**1,759**	1,574
	8,119	7,322
Analysed as:		
QPR	**5,643**	4,978
Retail and other	**2,476**	2,344
	8,119	7,322
Operating loss		
Turnover	**8,119**	7,322
Cost of football activities	**4,299**	4,580
Amortisation of players' registrations	**382**	213
Stadium and matchday costs	**2,977**	2,816
Commercial, marketing & retail costs	**1,187**	777
Other direct overheads	**2,468**	2,239
Total costs	**11,313**	10,625
Operating loss	**(3,194)**	(3,304)
Profit/(Loss) on disposal of players' registrations	**-**	(47)
Profit on disposal of fixed assets	**-**	63
Exceptional items	**-**	-
Loss on ordinary activities before interest and taxation	**(3,194)**	(3,288)

3. *Loss on ordinary activities before taxation*

	2004 £'000	2003 £'000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit – Company	**15**	16
Audit – Group (including Company)	**15**	18
Other services	**-**	8
Depreciation and other amounts written off tangible fixed assets:		
Owned	**455**	455
Leased	**5**	5
Amortisation of intangible fixed assets	**382**	213
Operating lease rentals:		
Land and buildings	**-**	-
Other	**-**	32
And after crediting:		
Rental income	**14**	15
Release of capital grants	**-**	13

4 Administrative expenses

	2004 £'000	2003 £'000
Directors' remuneration	**226**	129
Administrative salaries	**1,026**	994
Office and utilities costs	**804**	880
Depreciation	**431**	473
Commercial and marketing	**144**	211
Other	**657**	513
	3,288	3,200

5 Directors' remuneration

The remuneration of the Directors was:

	2004 £'000	2003 £'000
Directors' emoluments	**131**	131
Redundancy payment	**97**	-
Pension contributions	**4**	4
Amounts paid to third parties in respect of directors' services	**-**	-
	232	135

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

	Basic salaries	Benefits	Redundancy	**Total Emoluments**	Pension Contributions	Amounts paid to third parties in respect of directors' services	**Total**
	£'000	*£'000*	*£'000*	***£'000***	*£'000*	*£'000*	***£'000***
Nick Blackburn	-	-	-	-	-	-	-
Ross Jones	-	-	-	-	-	-	-
David Davies	125	6	97	**228**	4	-	**232**
Kevin McGrath	-	-	-	-	-	-	-
Bill Power	-	-	-	-	-	-	-
Azeem Malik	-	-	-	-	-	-	-
	125	6	97	**228**	4	-	**232**

Benefits represent the use of company cars and other benefits.

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

The redundancy package for David Davies has been accrued into these accounts and was settled in full in July 2004.

Directors' share options

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

The Directors understand that all of these options have now lapsed.

	Exercise Price 72p	Exercise Price 11.5p	Total No of Options
At 1 June 2003	35,000	66,000	101,000
Granted during the year	-	-	-
Options lapsed	(35,000)	(66,000)	(101,000)
At 31 May 2004	-	-	-

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

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

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

Any unexercised options lapsed on the seventh anniversary of the date of grant. The Company de-listed on 2 April 2001 when its share price was at 3.75p and came off the Stock Exchange on 2 October 2001.

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

6 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year to 31 May 2004, analysed by category, was as follows:

	2004	2003
Players, managers, coaches and support staff	**43**	53
Commercial, marketing and retail staff	**11**	10
Stadium and maintenance staff	**6**	11
Administrative staff	**20**	19
Community projects	**5**	5
	85	98

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

	2004 £'000	2003 £'000
Wages and salaries	**4,496**	4,526
Social security costs	**489**	453
Other pension costs	**5**	47
	4,990	5,026

7 **Interest receivable and similar income**

	2004 £'000	2003 £'000
Interest receivable	2	31
	2	31

8 **Interest payable and similar charges**

	2004 £'000	2003 £'000
Amounts payable on all other loans	1,000	1,001
Other interest payable	150	16
	1,150	1,017

9 **Tax on loss on ordinary shares**

No taxation charge arises on the results of the current period and losses are available for relief against future profits for taxation purposes. Subject to Inland Revenue agreement, the cumulative tax losses available for relief amount to approximately £34,000,000.

10 **Loss per share**

Losses per share are calculated with reference to the loss after taxation of £4,342,000 (2003 - £4,274,000) and on a weighted average number of Ordinary shares in issue of 63,498,125 (2003 – 61,061,144).

Diluted losses per share are calculated with reference to a weighted average number of Ordinary shares in issue of 63,498,125 (2003 – 61,287,839), the difference representing the equivalent number of shares that would be issued for no consideration if all outstanding share options were exercised. As the outstanding share options lapsed in 2004 there is no difference between the weighted averages.

11 Tangible fixed assets

	Land & Buildings £'000	Plant & Equipment £'000	Motor Vehicles £'000	Fixtures & Fittings £'000	Total £'000
Group and Company					
Cost or valuation at 1 June 2003	13,878	2,602	35	382	16,897
Additions	-	4	-	38	42
Disposals/Adjustment	-	20	(18)	-	2
Revaluation	3,586	-	-	-	3,586
Cost at 31 May 2004	**17,464**	**2,626**	**17**	**420**	**20,527**
Depreciation at 1 June 2003	378	1,815	23	358	2,574
Disposals	-	-	(18)	-	(18)
Depreciation charge for the year	168	275	5	15	463
Revaluation depreciation	(546)	-	-	-	(546)
Depreciation at 31 May 2004	**0**	**2,090**	**10**	**373**	**2,473**
Net Book Value					
At 31 May 2004	**17,464**	**536**	**7**	**47**	**18,054**
At 31 May 2003	13,500	787	12	24	14,323

The Loftus Road Stadium was valued by Savills, Chartered Surveyors, as at 31 May 2004 on a depreciated replacement cost (existing use) basis. On a historical cost basis, land and buildings would have been included as follows:

	Group and Company 2004 £'000	Group and Company 2003 £'000
Original cost	12,107	12,107
Depreciation based on cost	(722)	(590)
	11,385	11,517

The net book value of land and buildings comprises:

	Group and Company 2004 £'000	Group and Company 2003 £'000
Freehold	17,464	13,500
Long leasehold	-	-
	17,464	13,500

Included in the total net book value of motor vehicles is £7,000 (2003: £12,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £5,000 (2003: £5,000).

12 Intangible fixed assets

	Group
Cost	**£'000**
At 1 June 2003	630
Additions	446
Disposals	(315)
At 31 May 2004	**761**
Amortisation	
At 1 June 2003	388
Charge for the year	382
Disposals	(315)
At 31 May 2004	**455**
Net Book Value	
At 31 May 2004	**306**
At 31 May 2003	243

Intangible fixed assets represent the cost of players' registrations.

13 Fixed asset investments

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

At Cost	**£'000**
At 1 June 2003	8,213
Disposals	-
At 31 May 2004	8,213

At 31 May 2004 the Company owned the following subsidiary undertakings:

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

The above companies are incorporated in the UK.

14 Stocks

	Group 2004 £'000	Group 2003 £'000	**Company 2004 £'000**	Company 2003 £'000
Goods for resale	**143**	67	**143**	67

15 Debtors

	Group 2004 £'000	Group 2003 £'000	**Company 2004 £'000**	Company 2003 £'000
Trade debtors	**137**	100	**137**	100
Transfer debtors	-	-	-	-
Other debtors	**36**	49	**36**	49
Prepayments and accrued income	**182**	544	**182**	544
	355	693	**355**	693

16 Creditors: amounts falling due within one year

	Group 2004	Group 2003	**Company 2004**	Company 2003
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**-**	-	-	-
Shareholder's loan	**692**	100	**692**	100
Other loans	**125**	-	**125**	-
Obligations under finance leases and hire purchase contracts	**13**	15	**13**	15
Payments received on account	**35**	17	**35**	17
Trade creditors	**973**	1,235	**973**	1,235
Transfer creditors	**100**	-	-	-
Amounts owed to group undertakings	**-**	-	**11,740**	11,345
Taxation and social security	**2,765**	1,158	**1,812**	518
Other creditors	**118**	978	**118**	978
Accruals and deferred income	**3,176**	2,005	**3,176**	2,005
	7,997	5,506	**18,684**	16,216

The other loans are unsecured and interest free.

17 Creditors: amounts falling due after more than one year

	Group 2004 £'000	Group 2003 £'000	**Company 2004 £'000**	Company 2003 £'000
Other Loans	***10,000***	*10,000*	***10,000***	*10,000*

The other loans due after more than one year are secured by way of a fixed charge over the Loftus Road Stadium and are to be repaid after ten years at a fixed interest rate for the first five years. The loan is repayable in 2012.

18 Called up share capital

	2004 £'000	2003 £'000
Authorised		
Equity: 100,000,000 Ordinary shares of 1p each	**1,000**	1,000
Allotted, called up and fully paid		
Equity: 66,809,345 Ordinary shares of 1p each	**668**	624

19 Reserves

	Share premium account £'000	Group Revaluation Reserve £'000	Profit and loss account £'000
At 1 June 2003	5,394	3,220	(7,617)
Unrealised surplus on revaluation of properties	-	4,131	-
Retained loss for the year	-	-	(4,342)
Share premium	740	-	-
At 31 May 2004	6,134	7,351	(11,959)

	Share premium account £'000	Company Revaluation reserve £'000	Profit and loss account £'000
At 1 June 2003	5,394	3,220	(10,352)
Unrealised surplus on revaluation of properties	-	4,131	-
Retained loss for the year	-	-	(4,387)
Share premium	740	-	-
At 31 May 2004	6,134	7,351	(14,739)

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

The movement in the share premium account includes £561,000 that relates to the disposal of 16,066,019 ordinary shares of 1p each, held for the company on trust by a specially incorporated company QPR Nominees Ltd.

20 Contingent liabilities

The terms of certain contracts for the purchase of players' registrations include contingent transfer fees payable. These contingent transfer fees are payable on the occurrence of certain future events such as the player concerned making a specified number of first team appearances or the attainment of various levels of international caps. There are similar contingent transfer fees receivable in respect of certain contracts for the sale of registrations of players previously employed. In practice not all of these contingent transfer fees will crystallise. At 31 May 2004 there is a maximum potential liability under contingent transfer fees payable of £55,000 in respect of first team appearances (2003 - £131,000).

In addition to the above, further transfer payments will be payable if Queens Park Rangers attain promotion to the Premiership. At 31 May 2004, this potential liability is £200,000 (2003 - £42,000 was *due based on promotion to the First Division).*

21 Commitments

(a) Capital commitments authorised and contracted for the Company and the Group at 31 May 2004 amounted to £nil (2003 - £nil).

(b) Annual commitments under non-cancellable operating leases at 31 May 2004 are as follows:

	2004		2003	
	Land and Buildings	**Other**	Land and Buildings	Other
	£'000	**£'000**	£'000	£'000
Operating leases which expire:				
Within one year	-	-	36	-
In the second to fifth years inclusive	-	-	-	-
	-	-	36	-

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

	2004	2003
	£'000	£'000
Operating loss	**(3,194)**	(3,288)
Amortisation charge	**382**	213
Depreciation charge net of release of capital grants	**445**	473
Decrease/(increase) in stocks	**(76)**	(15)
(Increase)/decrease in debtors	**338**	586
(Decrease)/increase in creditors	**1,774**	1,019
Net cash outflow from operating activities	**(331)**	(1,012)

23 Reconciliation of net cash flow to movement in net debt

	2004	2003
	£'000	£'000
Decrease/(increase) in borrowing in the year	**(467)**	(2,222)
Cash (inflow)/outflow from increase/decrease in debt financing	**(717)**	354
Debt element from sale of tangible fixed assets	-	-
Adjustment for administration and other exceptional costs	-	-
Cash outflow from decrease in finance leases	-	-
Change in net debt resulting from cash flows	**(1,184)**	(1,868)
Non-cash reduction in capital element of shareholder's loan	-	-
Movement in net debt in the period	**(1,184)**	(1,868)
Opening net debt	**(8,299)**	(6,431)
Closing net debt	**(9,483)**	(8,299)

24 Analysis of net debt

	At 1 June 2003	Cash flow	Other non Cash changes	At 31 May 2004
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,801	(467)	-	1,334
Bank loans and overdrafts	-	-	-	-
Debt due after one year	(10,000)	-	-	(10,000)
Debt due within one year	(100)	(717)	-	(817)
Finance leases	-	-	-	-
Total	(8,299)	(1,184)	-	(9,483)

25 Financial Instruments

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

Liquidity and interest rate risk profile

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

2004

Financial liabilities maturing;	Floating rate £'000	Fixed rate £'000	Nil rate £'000	Total £'000
In one year or less on demand	817	-	-	817
In more than one year but not more than two years		-	-	-
In more than two years but not more than five years	-	-	-	-
In more than five years	-	10,000	-	10,000
	817	10,000	-	10,817

2003

Financial liabilities maturing;	Floating rate £'000	Fixed rate £'000	Nil rate £'000	Total £'000
In one year or less on demand	100	-	-	100
In more than one year but not more than two years		-	-	-
In more than two years but not more than five years	-	-	-	-
In more than five years	-	10,000	-	10,000
	100	10,000	-	10,100

The fixed rate financial liabilities comprise other loans to be repaid after ten years at a monthly fixed interest rate of 10% for the first five years.

The Group has no undrawn committed borrowing facilities (2003 - nil). There is no material difference between the book values and fair values for financial liabilities.

26 Related party transactions

At the balance sheet date the Company believed it was owed £364,645 (2003 - £210,905) by Anaid Holdings Limited. Subsequent to the year end this amount has been cancelled and therefore has been fully provided against in these financial statements.

27 Post balance sheets events

Since the year-end, 33,200,000 Ordinary shares of 1p each were newly issued in QPR Holdings Ltd to provide additional working capital.

In July 2004 Lee Cook was purchased from Watford for £150,000.

28 Pensions

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

As a consequence, the Group is required to make further contributions (in proportion to past contributions made) towards eliminating this deficit. The total deficit at the financial year end is £88,267 (including interest of £44,000), and £43,000 was repaid in the current year.

Contributions are also paid into individuals' private pension schemes. This pension cost during the period amounted to £5,000 (2003 - £47,000).

Independent auditors' report to the shareholders of QPR Holdings Ltd

We have audited the financial statements of QPR Holdings Ltd on pages 11 to 28 for the year ended 31 May 2004. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

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

Respective responsibilities of the Directors and Auditors

As described in the statement of directors' responsibilities on page 7 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 May 2004 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Rothman Pantall

Rothman Pantall & Co 17 May 2005

Chartered Accountants & Registered Auditors

Clareville House

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