

QPR Holdings pl



QPR Holdings plc (formerly Loftus Road plc)

Annual Report and Financial Statements

1 May 2003

Registered number 3197756

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## Directors

### Non-Executive

Kevin McGrath (40) (Acting Chairman)

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

Bill Power (49)

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

Mohammed Azeem Malik (38)

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

### Company Secretary

David Anderson

is a partner at Moore Stephens, Chartered Accountants, and became Company Secretary on 26 March 2004.

## Advisors and shareholder information

### Auditors

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

### Group Offices

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

### Legal Advisors

Harbottle & Lewis LLP  
Hanover House  
14 Hanover Square  
London W1S 1HP

### 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 financial year 2002/2003 saw the Plc consolidate upon the exit from administration on 27 May 2002. The team finished fourth in Nationwide Division Two, and qualified for the end of season play-offs. In an exciting semi-final against Oldham Athletic, the club qualified for the show piece final at the Millennium Stadium thanks to a goal in the 82<sup>nd</sup> minute by Paul Furlong, to win the semi-final tie 2-1 on aggregate.

The Club took some 32,000 fans to the Millennium Stadium, to play the host city Cardiff, in the Division Two final. This game proved to be a highlight in the club's recent history, and although the team played excellently during the 120 minutes of play, ultimately lost to a goal in the 118<sup>th</sup> minute. Although this was a bitter disappointment to all those connected to the club, it held out the hope that in the season 2003/2004, the club would once again mount a strong challenge for promotion.

The significant post period event is that the club achieved promotion as runners-up of Nationwide Division Two, with a victory against Sheffield Wednesday on 8 May 2004.

### Results and Dividends

During the period under review, the Group recorded a loss before interest and taxation of £3,288,000 (2002 – loss of £323,000) after accounting for loss on disposal of players' registrations of £47,000 (2002 – profit of £1,378,000), profit on disposal of fixed assets of £63,000 (2002 – £nil) and exceptional income of £nil (2002 – £1,863,000). Turnover for the year was £7,322,000 (2002 – £5,645,000). The loss per ordinary share amounted to 7.0 pence (2002 – loss of 0.7 pence). The Directors do not propose the payment of a dividend for the year under review (2002 – £nil).

### Net Assets

Net assets as at 31 May 2003 amounted to £1,621,000 (2002 – £5,735,000) representing net assets per Ordinary share of 2.66 pence (2002 – 9.56 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

#### i) Football Activities

The decision to rationalise the playing staff the previous year, led to a significant improvement in the stability of the squad. Given the depression in the football market place, the Board sees the cost of fielding a successful squad continuing to decline in the forthcoming years.

Whilst the senior side reached the play-off final, it should be noted that although the reserve team had not retained the Avon Insurance Combination League, Tim Breacker and his team of coaches had successfully brought in a number of the previous years youth. It is hoped that this work will help increase the number of home grown players that eventually make it into the first team squad.

Elsewhere, the Under 19 team playing in the Football League Youth Alliance endured some poor results on paper, however it should be noted that the Under 19 team was in fact the Under 18 team, and as results showed in the succeeding season, this team is now one of the strongest in the Alliance structure. These results add weight to the Board's hope that in the forthcoming seasons at least a third of our first team squad will be made up of home grown players.

o) Ground Share

For the period covered by these accounts, Loftus Road was shared between QPR and Fulham FC. The installation of Fulham into the ground necessitated the replacement of the floodlights to meet the UEFA international competition standards, and further ground development in the terms of air conditioning in the changing rooms and a new suite of showers.

o) Corporate & Capital Works

As outlined in the 2002 accounts, contracts were exchanged with Sudbury Holdings to purchase the outstanding buildings and land at Sudbury which remained after the sale to Alfred McAlpine of the former Wasps rugby ground. This disposal was completed in March 2003.

l) Commercial Activities

Central funding received from the Football League for the year under review was £439,000. This figure represents the new arrangements that have been put into place following the collapse of ITV Digital.

The success of team on the field has led to a significant rise in the number of people attending games, and yet again, the average attendance for 2003/2003 has put the club at the top of average attendances in Division Two, at just on 14,000. 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 2002/2003, the number of season ticket holders stood at 7,700. These figures have shown the level of loyalty amongst our fans, and considering the increase on the cost of season tickets, is a ringing endorsement, not only of the product of the field, but the re-awakening of support amongst fans, who had previously deserted the club.

Revenues for both match day and season ticket and advertising and sponsorship will show a rise of £1,255,000. This in part was due to the rise in the number of games played by QPR, necessitated through the play-offs. However, it should be noted that the revenue generated from all of the semi-final legs are pooled by the competing teams and subsequently divided equally.

Overall, commercial revenues show a significant increase of 30% on the previous year, which is mainly due to the number of matches, and the improvement in merchandise sales through the club shop. These merchandise sales have seen exponential growth, and in part due to greater use of the internet, and a remarketing of their catalogue. Staff in this area have achieved startling results over the past twelve months, which in the season 2003/2004 have shown a consistent further growth, and are now a major revenue stream to the club.

In the wake of the demise of ITV Digital and the original premium TV deal covering the internet, we have pleasure in reporting that the internet site has been one of the most successful in the Football League. It has generated over £250k in revenue since its inception. It has regularly been in the top ten earning sites, and during the launch of the subscription services it has been the leading site in the league.

Board Structure and Staff

During the period under review, Harold Winton and Kevin McGrath both joined the Board, although Harold Winton resigned in September 2003. In addition, William Power joined the Board in late 2003, with Mohammed Azeem Malik joining in April 2004. In June 2004, Ross Jones, Nick Blackburn and David Davies resigned from the Board.

## Outlook

As shareholders will be aware, football as an industry has gone through a period of consolidation following the turmoil in the summer of 2002. The subsequent fall out as seen the rationalisation not only of squad sizes, but in the average cost of each individual player dropping. Furthermore, this rationalisation has led to a number of steps by The Football League to try to avoid such worrying scenarios in the future, and to that extent, discussions over wage capping and fit and proper persons, have placed The Football League in the forefront of reconsidering corporate governance in our industry. It is the belief of the Board that this type of re-evaluation will continue in the forthcoming years.

The loss of TV revenue generated by remaining in Division Two, has led to the establishment of further commercial undertakings to increase the level of revenues generated from this area. However, it has been an uphill battle, particularly in the area of advertising and sponsorship. Revenues from this area will have remained constant and have not seen the exponential increase that we would have hoped to have seen during the successful run from Christmas through to May 2003. This lack of revenue has caused the Board to review the structure of our youth system and recommendations were put in place in the summer of 2003, for a number of teams in our schoolboy section to be reduced from five teams to three. At the AGM in May 2003, the meeting approved the raising of the number of shares available in the Company to 100,000,000 and the Board has worked tirelessly to sell these shares on and raise further equity funding to underwrite the losses during the period. As the season wore on, and the team became more successful, the number of enquiries for large portions of shares increased.

## Future Prospects

Although football showed itself to be in an industry recession during the period reviewed in these reports, for the club, the trip to Cardiff in the play-off finals ended a period on a very upbeat note. As a result of the appearance in the final, the club's merchandise sales and gate revenues from the trip, raised around the £0.5m mark. Consequently, season tickets reached nearly 9,000 by September 2003, which is an all-time record high and the expectation is that the club will be a major force in Division Two for the succeeding 2003/2004 season. However, trading conditions remain difficult, and the Board is aware that further pruning of central costs in all areas accompanied with renewed efforts to increase revenue streams, is the only answer to the funding deficit that the club currently operates at.

The Board is proposing to change the status of the Company from a public limited company to private ownership. It is believed that this change will assist in the administration of the business.

Kevin McGrath  
Acting Chairman  
June 2004

## 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 2003.

### 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 the financial review.

### Directors and their Interests

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

	At 31 May 2003		At 31 May 2002	
	Ordinary Shares	Options	Ordinary Shares	Options
Ross Jones	1,353,846	-	1,200,000	-
Nick Blackburn	10,500	25,000	10,500	25,000
David Davies	-	-	-	-
Harold Winton	-	-	-	-
Kevin McGrath	2,308,000	-	-	-

On 12 July 2002, Philip Englefield resigned.

On 5 June 2002, Harold Winton became a Director of the Company and he resigned on 12 September 2003.

On 19 December 2002, Kevin McGrath was elected to become a Director of the Company. On 3 July 2003, William Power became a Director of the Company. On 15 April 2004, Mohammed Azcem Malik 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 25 June 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
Moorbound Limited	14,763,183	21.5
Chris Wright	10,255,000	14.9
Tring Securities Limited	8,790,740	12.8
Bill Power	3,076,923	4.5
Aspen Trustees Limited	2,898,483	4.2
James Arbib	2,500,000	3.6

#### 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 Plc.

#### Board of Directors

The Board, at the end of the period covered by these financial statements, comprised of one Executive and four Non-Executives and was responsible to the shareholders for the proper management of the Company. This was augmented by two further Directors, William Power on 3 July 2003 and Mohammed Azeem Malik on 15 April 2004. 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. The Directors would normally retire by rotation, and therefore William Power and Mohammed Azeem Malik offer themselves for re-election on this occasion. All Directors will retire by rotation and offer themselves up for re-election at least once every four years.

The principal Board Committees are as follows:

#### Remuneration Committee

As at the balance sheet date, the Remuneration Committee comprised of Ross Jones, Nick Blackburn and Harold Winton. 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

As at the balance sheet date, the Commercial Committee comprised of Nick Blackburn and Harold Vinton. 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 appropriate.

Major investment decisions involving capital or revenue expenditure including the purchase or sale of players' registrations are subject to approval by the Board.

Regular reporting of legal, regulatory, insurance and accounting developments are made to the Board by appropriate Directors and Officers of the Group.

Financial and operating controls and procedures are in place throughout the Group. These include general authorisation procedures and procedures to ensure the staging of events comply with local and national regulations.

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

#### Going Concern

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

#### Post Balance Sheet Events

The details of these are included in note 28 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 2002 trade creditors as a ratio of purchases represents 81 days (2002: 125 days).

#### Auditors

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

#### Annual General Meeting

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

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

David Anderson  
Company Secretary  
30 June 2004

## Consolidated Profit and Loss Account

For the year ended 31 May 2003

	Note	2003	2002
		£'000	£'000
Turnover	2	<u>7,322</u>	<u>5,645</u>
Playing staff and matchday costs		(5,701)	(5,329)
Stadium and other direct operating costs		(1,512)	(988)
Amortisation of players' registrations		(213)	(303)
Cost of sales		<u>(7,426)</u>	<u>(6,620)</u>
Gross loss		(104)	(975)
Administrative expenses	4	<u>(3,200)</u>	<u>(2,589)</u>
Operating loss	2	(3,304)	(3,564)
Profit/(loss) on disposal of players' registrations		(47)	1,378
Profit on disposal of fixed assets		63	-
Net effect of voluntary arrangement before interest		-	<u>1,863</u>
Loss on ordinary activities before interest and taxation		(3,288)	(323)
Interest receivable and similar income	7	31	9
Interest payable and similar charges	8	<u>(1,017)</u>	<u>(99)</u>
Loss on ordinary activities before taxation	3	(4,274)	(413)
Tax on loss on ordinary activities	9	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation		(4,274)	(413)
Dividends		<u>-</u>	<u>-</u>
Retained loss for the year	20	<u>(4,274)</u>	<u>(413)</u>
Loss per share	10	(7.0p)	(0.7p)
Diluted loss per share	10	(7.0p)	(0.7p)

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 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12		243		378
Tangible assets	11		<u>14,323</u>		<u>14,845</u>
			14,566		15,223
Current assets					
Stocks	14	67		52	
Debtors	15	693		1,279	
Investments	16	-		-	
Cash at bank and in hand		<u>1,801</u>		<u>4,022</u>	
		2,561		5,353	
Creditors: amounts falling due within one year	17	<u>(5,506)</u>		<u>(4,841)</u>	
Net current assets/(liabilities)			(2,945)		512
Total assets less current liabilities			<u>11,621</u>		<u>15,735</u>
Creditors: amounts falling due after more than one year	18	<u>(10,000)</u>		<u>(10,000)</u>	
Net assets			1,621		5,735
Capital and Reserves					
Called up share capital	19		624		600
Share premium account	20		5,394		5,258
Revaluation reserve	20		3,220		3,220
Profit and loss account	20		<u>(7,617)</u>		<u>(3,343)</u>
Equity shareholders' funds			1,621		5,735

These financial statements were approved by the Board on 30 June 2004 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 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11		14,323		14,845
Investments	13		8,213		8,213
			<u>22,536</u>		<u>23,058</u>
Current assets					
Stocks	14	67		52	
Debtors	15	693		1,035	
Investments	16	-		-	
Cash at bank and in hand		1,801		4,022	
		<u>2,561</u>		<u>5,109</u>	
Creditors: amounts falling due within one year	17	(16,216)		(15,126)	
Net current liabilities			(13,655)		(10,017)
Total assets less net current liabilities			<u>8,881</u>		<u>13,041</u>
Creditors: amounts falling due after more than one year	18		<u>(10,000)</u>		<u>(10,000)</u>
Net (liabilities)/assets			<u>(1,119)</u>		<u>3,041</u>
Capital and reserves					
Called up share capital	19	624		600	
Share premium account	20	5,394		5,258	
Revaluation reserve	20	3,220		3,220	
Profit and loss account	20	(10,357)		(6,037)	
			<u>(1,119)</u>		<u>3,041</u>
Equity shareholders' funds			<u>(1,119)</u>		<u>3,041</u>

These financial statements were approved by the Board on 30 June 2004 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 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
Net cash outflow from operating activities	23		(1,012)		(2,529)
Returns on investments and servicing of finance					
Interest received		31		9	
Interest paid		(1,017)		(90)	
Interest element of finance lease rental payments		-		-	
Net cash outflow from returns on investment and servicing of finance			(986)		(81)
Taxation					
UK corporation tax repaid		-		-	
Tax repaid			-		-
Capital expenditure					
Payments to acquire tangible fixed assets		(151)		(130)	
Receipts from sales of tangible fixed assets		200		950	
Payments to acquire players' registrations		(79)		(218)	
Contributions towards player acquisitions		-		205	
Receipts from the sale of players' registrations		-		1,364	
Net cash inflow from capital expenditure			(30)		2,171
Cash inflow/(outflow) before financing			(2,028)		(439)
Financing					
Debts due within one year:					
New secured loans		-		-	
Repayment of secured loans		-		(4,130)	
New unsecured loan		200		1,000	
Repayment of unsecured loan		(554)		(1,450)	
Debt due beyond a year:					
New secured loan		-		10,000	
Administration and other exceptional costs		-		(1,114)	
New Share Capital		160		-	
Capital element of finance lease rental payments		-		-	
Decrease/(increase) in borrowings in the year	24		(194)		4,306
			(2,222)		3,867

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 2003

	Group	
	2003	2002
	£'000	£'000
Loss for the financial year	(4,274)	(413)
Unrealised surplus on revaluation of properties	-	-
<b>Total recognised gains and losses in respect of the financial year</b>	<u>(4,274)</u>	<u>(413)</u>

**Reconciliation of Movements in Shareholders' Funds**  
for the year ended 31 May 2003

	Group	
	2003	2002
	£'000	£'000
Loss for the financial year	(4,274)	(413)
Dividends	-	-
	<u>(4,274)</u>	<u>(413)</u>
New share capital subscribed	24	-
Share premium	136	-
	<u>160</u>	<u>-</u>
<b>Net reduction in shareholders' funds</b>	<b>(4,114)</b>	<b>(413)</b>
Opening shareholders' funds	5,735	6,148
<b>Closing shareholders' funds</b>	<u><b>1,621</b></u>	<u><b>5,735</b></u>



## Notes to the Accounts

For the year ended 31 May 2003

### Accounting policies

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

#### Basis of preparation

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

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

#### Basis of consolidation

The consolidated financial statements include the results of QPR Holdings Plc and its subsidiary undertakings made up to 31 May 2003. 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 £4,320,000 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.

Turnover and Operating loss

	2003 £'000	2002 £'000
Turnover		
Matchday receipts	3,463	2,623
Television and media	493	683
Sponsorship, merchandising and commercial income	1,792	1,377
Other	1,574	962
	<u>7,322</u>	<u>5,645</u>
Analysed as:		
QPR	4,978	4,451
Retail and other	2,344	1,194
	<u>7,322</u>	<u>5,645</u>
Operating loss		
Turnover	<u>7,322</u>	<u>5,645</u>
Cost of football activities	4,580	4,828
Amortisation of players' registrations	213	303
Stadium and matchday costs	2,816	2,050
Commercial, marketing & retail costs	777	448
Other direct overheads	2,239	1,580
Total costs	<u>10,625</u>	<u>9,209</u>
Operating loss	(3,304)	(3,564)
Profit/(Loss) on disposal of players' registrations	(47)	1,378
Profit on disposal of fixed assets	63	-
Exceptional items	-	1,863
Loss on ordinary activities before interest and taxation	<u>(3,288)</u>	<u>(323)</u>

Loss on ordinary activities before taxation

2003	2002
£'000	£'000

Loss on ordinary activities before taxation is stated after charging

Auditors' remuneration:

Audit – Company	16	20
Audit – Group (including Company)	18	22
Other services	8	7

Depreciation and other amounts written off tangible fixed assets:

Owned	455	520
Leased	5	4

Amortisation of intangible fixed assets

	213	303
--	-----	-----

Operating lease rentals:

Land and buildings	-	15
Other	32	70

And after crediting:

Rental income	15	13
Release of capital grants	13	13

Administrative expenses

2003	2002
£'000	£'000

Directors' remuneration	129	162
Administrative salaries	994	789
Office and utilities costs	880	747
Depreciation	473	525
Commercial and marketing	211	205
Other	513	161
	<u>3,200</u>	<u>2,589</u>

Directors' remuneration

The remuneration of the Directors was:

2003	2002
£'000	£'000

Directors' emoluments	131	168
Pension contributions	4	4
Amounts paid to third parties in respect of directors' services	-	-
	<u>135</u>	<u>172</u>

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

	Basic salaries	Benefits	Performance Related Bonus	Total Emoluments	Pension Contributions	Amounts paid to third parties in respect of directors' services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Nick Blackburn	-	-	-	-	-	-	-
Ross Jones	-	-	-	-	-	-	-
David Davies	125	6	-	131	4	-	135
Philip Englefield*	-	-	-	-	-	-	-
Harold Winton	-	-	-	-	-	-	-
Kevin McGrath	-	-	-	-	-	-	-
	<u>125</u>	<u>6</u>	<u>-</u>	<u>131</u>	<u>4</u>	<u>-</u>	<u>135</u>

\* reflects remuneration from 1 June 2002 to date of resignation

Benefits represent the use of company cars and other benefits.

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

#### Directors' share options

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

At 31 May 2003, options under the Share Option Scheme had been granted over a total of 101,000 shares as follows:

	Exercise Price 72p	Exercise Price 11.5p	Total No of Options
At 1 June 2002	35,000	88,000	123,000
Granted during the year	-	-	-
Options lapsed	-	(22,000)	(22,000)
At 31 May 2003	<u>35,000</u>	<u>66,000</u>	<u>101,000</u>

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

	Date of grant	No of ordinary shares	Exercise Price	Exercise Period (from/to)
Nick Blackburn*	2 December 1996	25,000	72p	Dec 1999 – Dec 2003

\* Since the balance sheet date, Nick Blackburn has resigned as a Director and therefore his options have lapsed.

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

- a 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 Company delisted 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.

#### Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year to 31 May 2003, analysed by category, was as follows:

	2003	2002
Players, managers, coaches and support staff	53	62
Commercial, marketing and retail staff	10	10
Stadium and maintenance staff	11	21
Administrative staff	19	17
Community projects	5	4
	<u>98</u>	<u>114</u>

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

	2003 £'000	2002 £'000
Wages and salaries	4,526	4,642
Social security costs	453	486
Other pension costs	47	47
	<u>5,026</u>	<u>5,175</u>

#### Interest receivable and similar income

	2003 £'000	2002 £'000
Interest receivable	<u>31</u>	<u>9</u>
	<u>31</u>	<u>9</u>

#### Interest payable and similar charges

	2003 £'000	2002 £'000
Amounts payable on bank loans and overdrafts	-	12
Amounts payable on all other loans	1,001	494
Interest waived on amounts due to Chris Wright	-	(601)
Other interest payable	16	194
	<u>1,017</u>	<u>99</u>

#### 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 £30,000,000.

10 Loss per share

Losses per share are calculated with reference to the loss after taxation of £4,274,000 (2002 - £413,000) and on a weighted average number of Ordinary shares in issue of 61,061,144 (2002 - 59,954,998).

Diluted losses per share are calculated with reference to a weighted average number of Ordinary shares in issue of 61,287,839 (2002 - 60,150,331), the difference representing the equivalent number of shares that would be issued for no consideration if all outstanding share options were exercised.

11 Tangible fixed assets

	Land & Buildings £'000	Plant & Equipment £'000	Motor Vehicles £'000	Fixtures & Fittings £'000	Total £'000
Group and Company					
Cost or valuation at 1 June 2002	14,078	2,492	50	358	16,978
Additions	-	110	17	24	151
Disposals	(200)	-	(32)	-	(232)
Cost at 31 May 2003	13,878	2,602	35	382	16,897
Depreciation at 1 June 2002	210	1,515	50	358	2,133
Disposals	-	-	32	-	-
Depreciation charge for the year	168	300	5	-	473
Depreciation at 31 May 2003	378	1,815	23	358	2,574
Net Book Value					
At 31 May 2003	13,500	787	12	24	14,323
At 31 May 2002	13,868	977	-	-	14,845

The Loftus Road Stadium was valued by Lambert Smith Hampton, Chartered Surveyors, as at 28 February 2001 on a depreciated replacement cost (existing use) basis. On a historical cost basis, land and buildings would have been included as follows:

	Group and Company 2003 £'000	Group and Company 2002 £'000
Original cost	12,107	12,257
Depreciation based on cost	(590)	(458)
	<u>11,517</u>	<u>11,799</u>

The net book value of land and buildings comprises:

	Group and Company 2003 £'000	Group and Company 2002 £'000
Freehold	13,500	13,668
Long leasehold	-	200
	<u>13,500</u>	<u>13,868</u>

Included in the total net book value of motor vehicles is £12,000 (2002: £nil) in respect of assets held under finance leases. Depreciation for the year on these assets was £5,000 (2002: £4,000).

#### Intangible fixed assets

	Group £'000
Cost	
At 1 June 2002	1,527
Additions	79
Disposals	(975)
At 31 May 2003	<u>630</u>
Amortisation	
At 1 June 2002	1,149
Charge for the year	213
Disposals	(974)
At 31 May 2003	<u>388</u>
Net Book Value	
At 31 May 2003	<u>243</u>
At 31 May 2002	<u>378</u>

Intangible fixed assets represent the cost of players' registrations.

#### Fixed asset investments

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

	£'000
At Cost	
At 1 June 2002	8,213
Disposals	-
At 31 May 2003	<u>8,213</u>

At 31 May 2003 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.

#### Stocks

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Goods for resale	<u>67</u>	<u>52</u>	<u>67</u>	<u>52</u>



15	Debtors	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
	Trade debtors	100	415	100	415
	Transfer debtors	-	244	-	-
	Other debtors	49	98	49	98
	Prepayments and accrued income	544	522	544	522
		<u>693</u>	<u>1,279</u>	<u>693</u>	<u>1,035</u>

16 Current asset investments  
Own shares – Group and Company

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

17	Creditors: amounts falling due within one year	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
	Bank loans and overdrafts	-	-	0	-
	Shareholder's loan	100	-	100	-
	Other loans	-	449	-	449
	Obligations under finance leases and hire purchase contracts	15	5	15	5
	Payments received on account	17	187	17	187
	Trade creditors	1,235	1,074	1,235	1,074
	Transfer creditors	-	94	-	-
	Amounts owed to group undertakings	-	-	11,345	11,259
	Taxation and social security	1,158	1,104	518	440
	Other creditors	978	296	978	296
	Accruals and deferred income	2,005	1,632	2,005	1,416
		<u>5,506</u>	<u>4,841</u>	<u>16,216</u>	<u>15,126</u>

The other loans are unsecured and interest free.

18 Creditors: amounts falling due after more than one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Other Loans	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

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.

19	Called up share capital		
		2003	2002
		£'000	£'000
	Authorised		
	Equity: 100,000,000 Ordinary shares of 1p each	<u>1,000</u>	<u>750</u>
	Allotted, called up and fully paid		
	Equity: 62,416,845 Ordinary shares of 1p each	<u>624</u>	<u>600</u>

20	Reserves			
		Share premium	Group	Profit and loss
		account	Revaluation	account
		£'000	reserve	£'000
			£'000	
	At 1 June 2002	5,258	3,220	(3,343)
	Retained loss for the year	-	-	(4,274)
	Share premium	136	-	-
	At 31 May 2003	<u>5,394</u>	<u>3,220</u>	<u>(7,617)</u>
		Share premium	Company	Profit and loss
		account	Revaluation	account
		£'000	reserve	£'000
			£'000	
	At 1 June 2002	5,258	3,220	(6,037)
	Retained loss for the year	-	-	(4,320)
	Share premium	136	-	-
	At 31 May 2003	<u>5,394</u>	<u>3,220</u>	<u>(10,357)</u>

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.

## 21 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 2003 there is a maximum potential liability under contingent transfer fees payable of £131,000 in respect of first team appearances (2002 - £79,000).

In addition to the above, further transfer payments will be payable now that Queens Park Rangers have attained promotion to Division One. At 31 May 2003, this liability is £42,000 (2002 - £nil).

22 Commitments

(a) Capital commitments authorised and contracted for the Company and the Group at 31 May 2003 amounted to £nil (2002 - £87,000).

(b) Annual commitments under non-cancellable operating leases at 31 May 2003 are as follows:

	2003		2002	
	Land and Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	36	-	35	42
In the second to fifth years inclusive	-	-	-	5
	<u>36</u>	<u>-</u>	<u>35</u>	<u>47</u>

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

	2003 £'000	2002 £'000
Operating loss	(3,288)	(3,564)
Amortisation charge	213	303
Depreciation charge net of release of capital grants	473	525
Decrease/(increase) in stocks	(15)	(14)
(Increase)/decrease in debtors	586	(94)
(Decrease)/increase in creditors	1,019	315
Net cash outflow from operating activities	<u>(1,012)</u>	<u>(2,529)</u>

24 Reconciliation of net cash flow to movement in net debt

	2003 £'000	2002 £'000
Decrease/(increase) in borrowing in the year	(2,222)	3,867
Cash (inflow)/outflow from increase/decrease in debt financing	194	(4,306)
Debt element from sale of tangible fixed assets	(200)	(950)
Adjustment for administration and other exceptional costs	-	(1,114)
Cash outflow from decrease in finance leases	-	-
Change in net debt resulting from cash flows	<u>(2,228)</u>	<u>(2,503)</u>
Non-cash reduction in capital element of shareholder's loan	556	2,904
Movement in net debt in the period	<u>(1,672)</u>	<u>401</u>
Opening net debt	<u>(6,427)</u>	<u>(6,828)</u>
Closing net debt	<u>(8,099)</u>	<u>(6,427)</u>

25 Analysis of net debt

	At 1 June 2002	Cash flow	Other non cash changes	At 31 May 2003
	£'000	£'000	£'000	£'000
Cash at bank and in hand	4,022	(2,221)	-	1,801
Bank loans and overdrafts	-	-	-	-
Debt due after one year	(10,000)	-	-	(10,000)
Debt due within one year	(449)	349	-	100
Finance leases	-	-	-	-
Total	<u>(6,427)</u>	<u>1,827</u>	<u>-</u>	<u>(8,099)</u>

26 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;

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
	<u>100</u>	<u>10,000</u>	<u>-</u>	<u>10,100</u>

2002

Financial liabilities maturing;	Floating rate £'000	Fixed rate £'000	Nil rate £'000	Total £'000
In one year or less on demand	-	-	449	449
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
	<u>-</u>	<u>10,000</u>	<u>449</u>	<u>10,449</u>

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 (2002 - nil). There is no material difference between the book values and fair values for financial liabilities.

#### 27 Related party transactions

At the balance sheet date the Company believed it was owed £210,905 by Anaid Holdings Limited, a company in which former director Mr H Winton has an interest. Anaid Holdings Limited strongly denies this liability. It is believed that a resolution to this problem has been found post year-end.

#### 28 Post balance sheets events

Since the year-end, 22,458,519 Ordinary shares of 1p each were newly issued in QPR Holdings Plc to provide additional working capital. In addition, the shares held by QPR Nominees Limited were cancelled.

In August 2003, Richard Langley was sold to Cardiff City for £250,000 whilst Kevin McLeod was purchased from Everton for £190,000 and Tony Thorpe was bought from Luton Town for £50,000.

#### 29 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 £176,000 (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 £47,000 (2002 - £50,000).

## Independent auditors' report to the shareholders of QPR Holdings Plc

We have audited the financial statements of QPR Holdings Plc on pages 11 to 28 for the year ended 31 May 2003. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

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

### Respective responsibilities of the Directors and Auditors

As described in the statement of directors' responsibilities on page 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.

### Fundamental Uncertainty

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 May 2003 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 & Co  
Chartered Accountants & Registered Auditors  
Clareville House  
26/27 Oxendon Street  
London SW1Y 4EP

30 June 2004



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

Directors:  
Kevin David McGrath (Acting Chairman)  
William Christopher Power (Non-executive Director)  
Mohammed Azcem Malik (Non-executive Director)

Head Office:  
Loftus Road Stadium  
South Africa Road  
London  
W12 7PA

Date: 30 June 2004

To: Shareholders

Dear Shareholder

Notice of the 2004 Annual General Meeting of QPR Holdings Plc (the "Company")

I am writing to explain the items of ordinary and special business which your Directors will present for your approval at the Company's Sixth Annual General Meeting and to enclose our Annual Reports and a proxy form for your use at the Meeting.

The formal notice of the Meeting is set out on pages 3 and 4.

The Annual General Meeting, which is to be held at 3.30pm on Wednesday 4<sup>th</sup> August 2004, will be divided into two parts.

The first four resolutions comprise the ordinary business of the Meeting and, as Ordinary Resolutions, require a simple majority of more than 50% of those persons present and voting in person or, on a poll, of votes cast. These resolutions are as follows:

**Resolution 1: To receive and adopt the Report and Accounts**

This is a standard resolution required by law to enable shareholders to formally receive and approve the accounts for the financial period, namely the year ended 31 May 2003.

**Resolutions 2 & 3: Appointment of Directors**

The Company's Articles of Association state that any Director appointed by the Board since the last AGM shall hold office only until, and must then seek election at, the next Annual General Meeting. Therefore William Christopher Power and Mohammed Azeem Malik are seeking election under this provision

**Resolution 4: Reappointment of Auditors**

This is a standard resolution seeking the shareholders' approval of the reappointment of Rothman Pantall & Co as the Company's Auditors.



The next six resolutions comprise the special business of the Meeting.

Resolution 5 is to be proposed as an Ordinary Resolution requiring a simple majority of more than 50% of those persons present and voting in person or, on a poll, of votes cast.

**Resolution 5: Power to allot shares**

Although the Directors are empowered to allot all currently authorised but as yet unissued shares by a shareholders' resolution at the last Annual General Meeting held on Thursday 1 May 2003, this resolution is seeking to renew that authority in the normal way.

The final five resolutions are to be proposed as Special Resolutions requiring a majority of 75% or more of those persons present and voting in person or, on a poll, of votes cast.

**Resolution 6: Disapplication of pre-emption rights**

If the Directors wish to allot unissued shares for cash, the Companies Act 1985 requires that such shares are first offered to shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. Resolution 6, which is a Special Resolution, seeks the approval of shareholders to disapply these pre-emption rights. If this resolution is passed, your Directors will have authority, normally until the date of the next Annual General Meeting, to allot shares for cash up to a maximum of 31,190,655 ordinary shares, representing the Company's current authorised but unissued ordinary share capital, without the shares first being offered to shareholders.

**Resolutions 7, 8, 9 & 10: Change of Company status**

The Directors propose to change the status of the Company from a public limited company to a private limited company. It is believed that this change will reduce costs and assist in the administration of the business. The change will require certain minor amendments to be made to the Company's Memorandum and Articles of Association as well as a change in name to QPR Holdings Limited.

**Recommendation**

Your Directors believe that the proposed resolutions are all in the best interests of QPR Holdings Plc and its shareholders. Accordingly, they recommend you to vote in favour of the resolutions set out in the enclosed notice of Annual General Meeting.

**Important: Action to be taken**

You are requested to complete and return the enclosed proxy form (whether or not you plan to attend the Annual General Meeting) as soon as possible, but in any event so that it arrives at the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL, as soon as possible and, in any event, at least 48 hours before the time of the Annual General Meeting.

The completion and return of a proxy form does not preclude you subsequently from attending the Meeting and voting in person should you so wish.

If you have sold or transferred your shares in QPR Holdings Plc, please consult the stockbroker or other agent through whom the sale or transfer was effected without delay for advice as to how to proceed.

In recent weeks, Ross Jones, Nick Blackburn and David Davies have all resigned from the Board and I would like to thank them for all their hard work over the last few years.

Yours sincerely

Kevin McGrath  
Acting Chairman of QPR Holdings Plc



QPR HOLDINGS PLC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the SIXTH Annual General Meeting of QPR Holdings Plc (the "Company") will be held at Bush Hall, 310 Uxbridge Road, London W12 7LJ on Wednesday 4<sup>th</sup> August 2004 at 3.30pm for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following resolutions, each of which will be proposed as an Ordinary Resolution:

1. To receive and adopt the annual accounts of the Company for the period ended 31 May 2003 together with the report of the Directors and the Auditors thereon.
2. To re-appoint William Christopher Power as a Director of the Company in accordance with Article 83 of the Articles of Association.
3. To re-appoint Mohammed Azeem Malik as a Director of the Company in accordance with Article 83 of the Articles of Association.
4. To re-appoint Rothman Pantall & Co as Auditors of the Company to hold office from the conclusion of the Meeting until the conclusion of the next General Meeting of the Company at which accounts are laid and to authorise the Directors to determine the remuneration of the Auditors.

Special Business

To consider and, if thought fit, pass the following resolution, which will be proposed as an Ordinary Resolution:

5. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) of the Company on and subject to such terms as the Directors may determine. The authority hereby conferred shall, subject to section 80 of the Act, be for a period expiring five years from the date of passing of this resolution (unless previously revoked or renewed by the Company in General Meeting) and the maximum nominal amount of relevant securities which may be allotted pursuant to such authority shall be £311,906.55 save that the Directors may allot relevant securities pursuant to this authority after that date pursuant to an offer or agreement made by the Company on or before that date as if such authority had not expired.

To consider and, if thought fit, pass the following resolutions, each of which will be proposed as a Special Resolution:

6. THAT the Directors be and they are hereby empowered pursuant to section 95 of the Act for the period commencing on and with effect from the date of the passing of this resolution and (unless previously revoked or renewed by the Company in General Meeting) expiring on the earlier of five years from the date of the passing of this resolution and at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 5 above as if section 89(1) of the Act did not apply to such allotment and the Directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer, agreement or other arrangement made by the Company which would or might require equity securities to be allotted after the expiry of such power.
7. THAT the Company, being a public company within the meaning of Section 1(3) of the Companies Act be re-registered as a private company limited by shares pursuant to the provisions of Section 53 of the Act.
8. THAT the name of the Company be changed to QPR Holdings Limited.
9. THAT the Company's Memorandum of Association be amended in the manner following namely:
  - (a) By the deletion therefrom of the existing Clauses 1 and 2 and by the substitution thereof of a new Clause 1: "The Company's name is QPR Holdings Limited".
  - (b) By the renumbering of existing Clauses 3, 4, 5 and 6 as Clauses 2, 3, 4 and 5 respectively.
10. THAT the Company's Articles of Association be amended in the manner following namely:
  - (a) They state that the name of the Company is QPR Holdings Limited.
  - (b) All references to 'public company' or 'plc' are replaced by 'private company' or 'limited' respectively.
  - (c) Article 39, being redundant in a private company, be deleted and the subsequent Articles renumbered accordingly.

By order of the Board  
acting through its Company Secretary  
David Anderson  
30 June 2004

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

Notes:

1. A member entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. The proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notorially certified copy of such authority) must be deposited at the address indicated on the form of proxy not less than 48 hours before the time for holding the Meeting.
3. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or an adjournment of the Meeting or on a poll.