QPR Holdings Ltd

Annual Report and Financial Statements

31 May 2005
Registered number 3197756

Contents

QPR Holdings Ltd Annual Report and Financial Statements as at 31st May 2005

Directors

Non-Executive

Antonio Caliendo (61) (Chairman)

joined the Board on 25 November 2005.

Gianni Paladini (60)

joined the Board on 6 July 2005.

Franco Zanotti (46)

joined the Board on 25 November 2005.

Company Secretary

Akin Yilmaz

was appointed on 13 November 2006.

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Advisors and shareholder information

Auditors

Nieman Walters Niman
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Teresa Gavin House
Woodford Avenue
Woodford Green
Essex IG8 8FH

Group Offices

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Loftus Road Stadium
South Africa Road
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Telephone 020 8743 0262
Fax 020 8740 2525

Bankers

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71 Grey Street
Newcastle Upon Tyne
Tyne & Wear NE99 1JP

Company Registration Number

3197756

Registered Office

Loftus Road Stadium
South Africa Road
London W12 7PA

Registrars and Transfer Office

Lloyds TSB Registrars
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West Sussex BN99 6DB
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Queens Park Rangers Football and Athletic Club Ltd

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QPR Holdings Ltd Annual Report and Accounts 2005

Chairman's Statement

I am delighted to have been appointed as Chairman of this historic club. I have worked in the football industry for many years and will bring this experience to take up the great challenges that face us as we reorganise the club.

The results for the financial year 2004/05 were a marked improvement compared to previous years. The loss for the year dropped significantly from £4,342,000 in the year to 31 May 2004 to £2,502,000 in the year to 31 May 2005. This was a considerable accomplishment, as it was achieved despite the loss of ground sharing revenues from Fulham (2004: £918,000).

2004/2005 was also our first season back in the Nationwide Division One (now called the Coca Cola Championship). Not only did we achieve our initial target of staying up, but for most of the season we were competing for the play-off places, and finished in a very creditable 11th place.

Results and Dividends

During the year under review, the Group recorded a loss before interest and taxation of £1,812,000 (2004 – loss of £3,194,000). Turnover for the year was satisfactory at £8,756,000 (2004 – £8,119,000) bearing in mind the loss of the ground sharing revenue from Fulham (2004 – £918,000). The Directors do not propose the payment of a dividend for the year under review (2004 – £nil).

Net Assets

Net assets as at 31 May 2005 amounted to £1,507,000 (2004 - £2,194,000) representing net assets per Ordinary share of 1.52 pence (2004 – 3.45 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 had another successful season, with our return to the Coca Cola Championship and the team finishing 11th. The Hoops were in with a good chance of securing a play-off place for most of the season before the high number of injuries finally took their toll. The team scored 54 league goals during the campaign (80 in 2003/04) with Paul Furlong (18 goals) and Kevin Gallen (10 goals) leading the attack.

Danny Shittu made an impressive return to form, after recovering from injury and was both Fans' and Players' choice as "Player of the Year". Lee Cook had a promising first season and won the votes for "Young Player of the Year".

Average attendances were up for the fifth successive year to 16,060 (2003/04 -14,815).

b) Commercial Activities

Central funding received from the Football League for the year under review was £790,000 (£322,000 in 2002/03), the increase being due to the higher levels of revenue that are allocated to this division.

The continuing success of the team on the field since our return to the Championship has led to a rise in the number of people attending games with an average attendance of 16,060 for 2004/2005 (14,815 for 2003/04). As a result, income from both season tickets and gate receipts increased by £734,000 (an increase of 18%). Furthermore, we are pleased to say that at the end of season 2004/2005, the number of season ticket holders stood at 10,669 (8,795 in 2003/04) showing the continuing high level of support from our fans.

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Overall, commercial revenues showed only a slight increase of 8% over the previous year since the growth in Merchandise sales slowed down in 2004/05.

Other Revenue fell by £936,000.This was mainly attributable to the loss of ground sharing revenue from Fulham 2005: Nil (2004 - £919,000).

Board Changes

During the period under review Ross Jones, Nick Blackburn and David Davies resigned from the Board (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.

Since the year end William Power and Kevin McGrath resigned from the Board in September 2005 and Gualtiero Trucco resigned in November 2005. Gianni Paladini was appointed to the Board in July 2005 (replacing Olga Paladini). Antonio Caliendo and Franco Zanotti were appointed to the Board in November 2005.

Gianni Paladini was appointed as Chairman in August 2005. He resigned in November 2005 and I was appointed as the new Chairman.

Outlook

The Banks and Financial institutions continue to regard Football Clubs 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 continue to prove that it can manage its affairs as efficiently as possible.

Thus the Board is looking to bring in tight financial controls as they reorganise the administrative and operational side of the club

The imposition of transfer windows on the Football League by FIFA has forced Football League Clubs to recruit larger squads which has in turn forced up wage costs.

Due to a disappointing run of results at the end of the 2005/06 season the club finished in the bottom half of the Championship. Consequently this has had a negative impact on our season ticket revenue on our season ticket revenue for the 2006/07 season.

Future Prospects

The long term aim of the Board is to achieve promotion to the Premiership. At the same time we are looking for the club to become self-financing and to achieve a break-even position. To achieve this, the club is looking to reorganise its administrative function and to refinance the club.

Antonio Caliendo
Chairman
January 2007

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2005.

Principal Activities

The principal activity of the Group 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.

Results and Dividend

The results of the Group for the year are set out on pages 8 to 23. The Directors do not recommend the payment of any dividend for the year ended 31 May 2005.

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 2005		At 31 May 2004	
	Ordinary Shares	**Options**	Ordinary Shares	Options
Kevin McGrath (resigned 30/9/05)	**8,790,740**	-	8,790,740	-
William Power (resigned 9/9/05)	**17,648,836**	-	3,076,923	-
Olga Paladini (appointed 15/9/04 and resigned on 6/7/05)	**14,763,183**	-	-	-
Carlos Dunga (appointed 13/10/04 and resigned on 1/8/06)	**10,000,000**	-	-	-
Nick Blackburn (resigned 24/6/04)	-	-	-	-
Azeem Malik (resigned 15/9/04)	-	-	-	-
Gualtiero Trucco (appointed 10/11/04 and resigned on 25/11/05)	-	-	-	-
	-	-	-	-
David Davies (resigned 18/6/04)	-	-	-	-
Ross Jones (resigned 24/6/04)	-	-	-	-

Substantial Shareholdings

On 17 January 2006, 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
Barnaby Holdings LLC	27,648,836	27.7
Wanlock LLC	19,900,000	19.9
Moorbound Limited	14,763,183	14.8
Tring Securities Limited	8,790,740	8.8
Anaid Holdings	3,470,000	3.5

Board of Directors

The Board, at the end of the period covered by these financial statements, comprised of three Non-Executives and was accountable to the shareholders for the proper management of the Company. 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.

Post Balance Sheet Events

The details of these are included in note 26 to the financial statements.

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.

Auditors

Nieman Walters Niman were appointed as auditors during 2005 following the resignation of Rothman Pantall & Co.

In accordance with Section 385 of the Companies Act 1985, a resolution proposing for the re- appointment of Nieman Walters Niman as the company's auditor was passed at the Annual General Meeting in February 2006.

In accordance with Section 385 of the Companies Act 1985, a resolution proposing for the re- appointment of Nieman Walters Niman as the company's auditor will be proposed at the next Annual General Meeting in 2007.

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

Akin Yilmaz
Company Secretary
22 January 2007

Consolidated Profit and Loss Account

For the year ended 31 May 2005

	Note	2005	2004
		£'000	£'000
Turnover	2	**8,756**	8,119
Playing staff and matchday costs		**(5,787)**	(5,856)
Stadium and other direct operating costs		**(1,299)**	(1,787)
Amortisation of players' registrations		**(386)**	(382)
Cost of sales		**(7,472)**	(8,025)
Gross profit / (loss)		**1,284**	94
Administrative expenses	4	**(3,096)**	(3,288)
Operating loss	2	**(1,812)**	(3,194)
Profit/(loss) on disposal of players' registrations		**-**	-
Profit on disposal of fixed assets		**-**	-
Loss on ordinary activities before interest and taxation		**(1,812)**	(3,194)
Interest receivable and similar income	7	**3**	2
Interest payable and similar charges	8	**(693)**	(1,150)
Loss on ordinary activities before taxation	3	**(2,502)**	(4,342)
Tax on loss on ordinary activities	9	**-**	-
Loss on ordinary activities after taxation		**(2,502)**	(4,342)
Dividends		**-**	-
Retained loss for the year	19	**(2,502)**	(4,342)

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 13 to 23 form part of these financial statements.

Consolidated Balance Sheet

As at 31 May 2005

	Note	2005		2004	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	10		**178**		306
Tangible assets	11		**17,633**		18,053
			17,811		18,359
Current assets					
Stocks	13	**145**		143	
Debtors	14	**547**		355	
Cash at bank and in hand		**1,454**		1,334	
		2,146		1,832	
Creditors: amounts falling due within one year	15	**(7,265)**		(7,997)	
Net current assets/(liabilities)			**(5,119)**		(6,165)
Total assets less current liabilities			**12,692**		12,194
Creditors: amounts falling due after more than one year	16		**(10,950)**		(10,000)
Provisions for liabilities and charges	17		**(235)**		-
Net assets			**1,507**		2,194
Capital and Reserves					
Called up share capital	18		**1,000**		668
Share premium account	19		**7,617**		6,134
Revaluation reserve	19		**7,351**		7,351
Profit and loss account	19		**(14,461)**		(11,959)
Equity shareholders' funds			**1,507**		2,194

These financial statements were approved by the Board on 22 January 2007 and were signed on its behalf by:

Director   Director

The notes on pages 13 to 23 form part of these financial statements.

Company Balance Sheet
As at 31 May 2005

	Note	2005		2004	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Tangible assets	11		**17,633**		18,053
Investments	12		**8,213**		8,213
			25,846		26,266
Current assets					
Stocks	13	**145**		143	
Debtors	14	**547**		355	
Cash at bank and in hand		**1,454**		1,334	
		2,146		1,832	
Creditors: amounts falling due within one year	15	**(18,136)**		(18,684)	
Net current liabilities			**(15,990)**		(16,852)
Total assets less net current liabilities			**9,856**		9,414
Creditors: amounts falling due after more than one year	16		**(10,950)**		(10,000)
Provisions for liabilities and charges	17		**(235)**		-
Net (liabilities)/assets			**(1,329)**		(586)
Capital and reserves					
Called up share capital	18		**1,000**		668
Share premium account	19		**7,617**		6,134
Revaluation reserve	19		**7,351**		7,351
Profit and loss account	19		**(17,297)**		(14,739)
Equity shareholders' funds			**(1,329)**		(586)

These financial statements were approved by the Board on 22 January 2007 and were signed on its behalf by:

Director

Director

The notes of pages 13 to 23 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 May 2005

	Note	2005		2004	
		£'000	£'000	£'000	£'000
Net cash outflow from operating activities	22		(1,243)		(331)
Returns on investments and servicing of finance					
Interest received		3		2	
Interest paid		(693)		(1,150)	
Net cash outflow from returns on investment and servicing of finance			(690)		(1,148)
Capital expenditure					
Payments to acquire tangible fixed assets		(21)		(42)	
Receipts from sales of tangible fixed assets		7		-	
Payments to acquire players' registrations		(258)		(446)	
Net cash inflow from capital expenditure			(272)		(488)
Cash inflow/(outflow) before financing			(2,205)		(1,967)
Financing					
Debts due within one year:					
New unsecured loan		225		817	
Repayment of unsecured loan		(666)		(100)	
Debt due beyond a year:					
New unsecured loan		950			
New Share Capital		1,816		784	
Capital element of finance lease rental payments		-		(1)	
			2,325		1,500
Decrease/(increase) in borrowings in the year	23		120		(467)

The notes on pages 13 to 23 form part of these financial statements.

Statement of Total Recognised Gains and Losses

For the year ended 31 May 2005

	Group	
	2005	2004
	£'000	£'000
Loss for the financial year	**(2,502)**	(4,342)
Unrealised surplus on revaluation of properties	**-**	4,131
Total recognised gains and losses in respect of the financial year	**(2,502)**	(211)

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 May 2005

	Group	
	2005	2004
	£'000	£'000
Loss for the financial year	**(2,502)**	(4,342)
New share capital subscribed	**332**	44
Share premium	**1,483**	740
Other recognised gains and losses relating to the year	**-**	4,131
Net increase / (reduction) in shareholders' funds	**(687)**	573
Opening shareholders' funds	**2,194**	1,621
Closing shareholders' funds	**1,507**	2,194

Notes to the Accounts

For the year ended 31 May 2005

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.

Going Concern

The Directors continually monitor the financial position of the Group, taking into account the latest cashflow forecasts and the ability of the Group to generate cash. The Directors have prepared the financial statements on a going concern basis having had regard to detailed cashflow projections for the period to 31 May 2007, and beyond. Additionally the directors have committed themselves to continue to support the cashflow of the Group by making available any necessary funds. The Directors have also considered the impact of player trading, which is an integral part of the Group's activities, and the cash flows associated with this trading activity.

While there will always remain some inherent uncertainty the Directors remain confident that sufficient funds will be forthcoming and, therefore, it is appropriate to draw up the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result if the going concern basis of preparation were to become no longer appropriate.

Basis of consolidation

The consolidated financial statements include the results of QPR Holdings Ltd and its subsidiary undertakings made up to 31 May 2005. 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 £2,558,000 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

	2005 £'000	2004 £'000
Turnover		
Matchday receipts	**4,943**	4,095
Television and media	**935**	388
Sponsorship, merchandising and commercial income	**2,055**	1,877
Other	**823**	1,759
	8,756	8,119
Analysed as:		
QPR	**7,296**	5,643
Retail and other	**1,460**	2,476
	8,756	8,119
Operating loss		
Turnover	**8,756**	8,119
Cost of football activities	**5,143**	4,299
Amortisation of players' registrations	**386**	382
Stadium and match day costs	**2,070**	2,977
Commercial, marketing & retail costs	**677**	1,187
Other direct overheads	**2,292**	2,468
Total costs	**10,568**	11,313
Operating loss	**(1,812)**	(3,194)
Profit/(Loss) on disposal of players' registrations	**-**	-
Profit on disposal of fixed assets	**-**	-
Exceptional items	**-**	-
Loss on ordinary activities before interest and taxation	**(1,812)**	(3,194)

3. Loss on ordinary activities before taxation

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit – Company	**15**	15
Audit – Group (including Company)	**15**	15
Other services	**-**	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	**394**	455
Leased	**-**	5
Amortisation of intangible fixed assets	**386**	382
Operating lease rentals:		
Land and buildings	**-**	-
Other	**-**	-
And after crediting:		
Rental income	**32**	14
Release of capital grants	**-**	-

4 Administrative expenses

	2005 £'000	2004 £'000
Directors' remuneration	**-**	226
Administrative salaries	**1,123**	1,026
Office and utilities costs	**920**	804
Depreciation	**394**	431
Commercial and marketing	**101**	144
Other	**558**	657
	3,096	3,288

5 Directors' remuneration

The remuneration of the Directors was:

	2005 £'000	2004 £'000
Directors' emoluments	**-**	131
Redundancy payment	**-**	97
Pension contributions	**-**	4
Amounts paid to third parties in respect of directors' services	**-**	-
	-	232

Directors' share options

The previous Share Option Scheme lapsed in 2004 and has not been replaced in 2005.

6 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year to 31 May 2005, analysed by category, was as follows:

	2005	2004
Players, managers, coaches and support staff	**44**	43
Commercial, marketing and retail staff	**8**	11
Stadium and maintenance staff	**6**	6
Administrative staff	**19**	20
Community projects	**4**	5
	81	85

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

	2005 £'000	2004 £'000
Wages and salaries	**5,090**	4,496
Social security costs	**605**	489
Other pension costs	**5**	5
	5,700	4,990

7 Interest receivable and similar income

	2005 £'000	2004 £'000
Interest receivable	**3**	2
	3	2

8 Interest payable and similar charges

	2005 £'000	2004 £'000
Amounts payable on all other loans	**1,000**	1,000
Other interest payable	**(307)**	150
	693	1,150

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 agreement by HM Revenue & Customs, the cumulative tax losses for relief amount to approximately £36,000,000.

10 Intangible fixed assets

	Group £'000
Cost	
At 1 June 2004	761
Additions	258
Disposals	(446)
At 31 May 2005	**573**
Amortisation	
At 1 June 2004	455
Charge for the year	386
Disposals	(446)
At 31 May 2005	**395**
Net Book Value	
At 31 May 2005	**178**
At 31 May 2004	306

Intangible fixed assets represent the cost of players' registrations.

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 2004	17,464	2,626	17	420	20,527
Additions	-	14	-	7	21
Disposals/Adjustment	-	-	(17)	-	(17)
Revaluation	-	-	-	-	-
Cost at 31 May 2005	**17,464**	**2,640**	-	**427**	**20,531**
Depreciation					
At 1 June 2004	-	2,090	10	374	2,474
Disposals	-	-	(10)	-	(10)
Depreciation charge for the year	168	251	-	15	434
Revaluation depreciation	-	-	-	-	-
Depreciation at 31 May 2005	**168**	**2,341**	-	**389**	**2,898**
Net Book Value					
At 31 May 2005	**17,296**	**299**	-	**38**	**17,633**
At 31 May 2004	17,464	536	7	46	18,053

The Loftus Road Stadium was valued by Savills, Chartered Surveyors, as at 31 May 2004 on a depreciated replacement cost (existing use) basis. A further valuation was carried out by Savills as at 31 May 2006 on the same basis. The value given was £20,000,000. On a historical cost basis, land and buildings would have been included as follows:

	Group and Company 2005 £'000	Group and Company 2004 £'000
Original cost	**12,107**	12,107
Depreciation based on cost	**(854)**	(722)
	11,253	11,385

The net book value of land and buildings comprises:

	Group and Company 2005 £'000	Group and Company 2004 £'000
Freehold	**17,295**	17,464
Long leasehold	-	-
	17,295	17,464

Included in the total net book value of motor vehicles is £ Nil (2004: £7,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £Nil (2004: £5,000).

12 **Fixed asset investments**

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

	£'000
At Cost	
At 1 June 2004 and 31 May 2005	8,213
Net Book Value	
At 1 June 2004 and 31 May 2005	8,213

At 31 May 2005 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%

The above company is incorporated in the UK.

13 **Stocks**

	Group 2005 £'000	Group 2004 £'000	**Company 2005 £'000**	Company 2004 £'000
Goods for resale	**145**	143	**145**	143

14 **Debtors**

	Group 2005 £'000	Group 2004 £'000	**Company 2005 £'000**	Company 2004 £'000
Trade debtors	**293**	137	**293**	137
Transfer debtors	-	-	-	-
Other debtors	**37**	36	**37**	36
Prepayments and accrued income	**217**	182	**217**	182
	547	355	**547**	355

15 **Creditors: amounts falling due within one year**

	Group 2005 £'000	Group 2004 £'000	**Company 2005 £'000**	Company 2004 £'000
Bank loans and overdrafts	-	-	-	-
Shareholders' loan	**201**	692	**201**	692
Other loans	**175**	125	**175**	125
Obligations under finance leases and hire purchase contracts	-	13	-	13
Payments received on account	**64**	35	**64**	35
Trade creditors	**1,186**	973	**1,186**	973
Transfer creditors	**10**	100	-	-
Amounts owed to group undertakings	-	-	**12,347**	11,740
Taxation and social security	**2,472**	2,765	**1,006**	1,812
Other creditors	**26**	118	**26**	118
Accruals and deferred income	**3,131**	3,176	**3,131**	3,176
	7,265	7,997	**18,136**	18,684

The shareholders' and other loans are unsecured and interest free.

16 Creditors: amounts falling due after more than one year

		Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Convertible Loans – Unsecured	17(a)	**950**	-	**950**	-
Other Loan – Secured	17(b)	**10,000**	10,000	**10,000**	10,000
		10,950	10,000	**10,950**	10,000

17(a) Convertible loans are repayable as follows:

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Between two and five years	**950**	-	**950**	-

Unsecured convertible loans comprise of:

(1) £450,000 redeemable at any date before March 2010 at the option of the borrower. The outstanding loan is convertible into 6,000,000 ordinary shares at £0.075 per share at the option of the lender at the date of redemption. It carries interest at 7.5 % per annum payable in monthly instalments.

(2) £500,000 repayable in full at 143.6 % of the principal amount on 29 April 2010. The whole principal amount is convertible into 7,180,150 ordinary shares at £0.10 per share at the option of the lender within 21 business days prior to the redemption date, after which conversion right will lapse.

17(b) Other loan is repayable as follows:

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
After five years	**10,000**	10,000	**10,000**	10,000

Other Loan of £10 million is secured by way of a fixed charge over the Loftus Road Stadium and carries interest at a fixed interest rate of 10% for the first five years. The loan is repayable in 2012.

17 Provision for liabilities and charges

	Group £'000	Company £'000
At 1 June 2004	-	-
Additions	235	235
At 31 May 2005	**235**	**235**

A provision of £ 235,000 has been recognised for the potential legal claim against the football club from a one of its former players for breach of contact

18 Called up share capital

	2005 £'000	2004 £'000
Authorised		
Equity: 100,000,000 Ordinary shares of 1p each	**1,000**	1,000
Allotted, called up and fully paid		
Equity: 100,000,000 Ordinary shares of 1p each	**1,000**	668

During the year 29,900,000 ordinary shares with aggregate nominal value of £ 299,000 were issued fully paid for in cash at 5.5p per share. A further 2,000,000 ordinary shares with aggregate nominal value of £ 20,000 were issued and fully paid at 5 pence per share.

A Shareholder's loan amounting to £70,986 was converted into 1,290,655 ordinary shares at a conversion price of 5.5p per share.

The difference between the total consideration of £1,815,486 and the nominal value of £332,000 has been credited to the share premium account.

19 Reserves

Group	Share premium account £'000	Revaluation Reserve £'000	Profit and loss account £'000
At 1 June 2004	6,134	7,351	(11,959)
Retained loss for the year	-	-	(2,502)
Share premium	1,483	-	-
At 31 May 2005	**7,617**	**7,351**	**(14,461)**

Company	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 June 2004	6,134	7,351	(14,739)
Retained loss for the year	-	-	(2,558)
Share premium	1,483	-	-
At 31 May 2005	**7,617**	**7,351**	**(17,297)**

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 2005 there is a maximum potential liability under contingent transfer fees payable of £40,000 in respect of first team appearances (2004 - £55,000).

In addition to the above, further transfer payments will be payable if Queens Park Rangers either attain promotion to the Premiership or remain in the Championship. At 31 May 2005, this potential liability is £300,000 (2004 - £200,000) and £30,000 respectively.

21 Commitments

The Company and the Group had no capital commitments and no commitments under non-cancellable operating leases at the balance sheet date.

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

	2005	2004
	£'000	£'000
Operating loss	**(1,812)**	(3,194)
Amortisation charge	**386**	382
Depreciation charge net of release of capital grants	**433**	445
Increase in stocks	**(2)**	(76)
(Increase)/decrease in debtors	**(192)**	338
(Decrease)/increase in creditors	**(56)**	1,774
Net cash outflow from operating activities	**(1,243)**	(331)

23 Reconciliation of net cash flow to movement in net debt

	2005	2004
	£'000	£'000
Decrease/(increase) in borrowing in the year	**120**	(467)
Cash (inflow)/outflow from increase/decrease in debt financing	**(620)**	(717)
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	**(500)**	(1,184)
Non-cash reduction in capital element of shareholder's loan	**111**	-
Movement in net debt in the period	**(389)**	(1,184)
Opening net debt	**(9,483)**	(8,299)
Closing net debt	**(9,872)**	(9,483)

24 Analysis of net debt

	At 1 June 2004	Cash flow	Other non Cash changes	At 31 May 2005
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,334	120	-	1,454
Bank loans and overdrafts	-	-	-	-
Debt due after one year	(10,000)	(950)	-	(10,950)
Debt due within one year	(817)	330	111	(376)
Finance leases	-	-	-	-
Total	(9,483)	(500)	111	(9,872)

25 Related party transactions

During the year the company paid consultancy fees amounting to £ 76,615 (2004 - £nil) to Moorbound Ltd , a shareholder of QPR Holdings ltd.

26 Post balance sheets events

In June 2005, Ian Evatt was purchased from Chesterfield for £150,000 and Tommy Doherty for £100,000 from Bristol City. Furthermore, Richard Langley was purchased from Cardiff for £50,000.

A redundancy payment of £ 90,000 has been paid by the company to Mark Devlin, previous Chief Executive, following his redundancy in August 2005.

27 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 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 £62,000 and £31,000 was repaid in the current year.

Independent auditors' report to the shareholders of QPR Holdings Ltd

We have audited the financial statements of QPR Holdings Ltd on pages 8 to 23 for the year ended 31 May 2005. 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 pages 6 to 8 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.

Going Concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the financial statements, relating to the financial requirements of the Group. Due to the significance of this matter, we draw your attention to it, but 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 2005 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

22 January 2007

Nieman Walters Niman
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