



QPR Holdings Ltd

Annual Report and Financial Statements

31 May 2006

Registered number 3197756



Contents

Directors	2
Advisors and Shareholder information	3
Chairman's Statement	4
Directors' Report	6
Consolidated Profit and Loss Account	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Cash Flow Statement	12
Statement of Total Recognised Gains and Losses	13
Reconciliation of Movements in Shareholders' Funds	13
Notes to the Financial Statements	14
Audit Report	25

QPR Holdings Ltd Annual Report and Financial Statements as at 31st May 2006

Directors

Executive

Gianni Paladini (61)

joined the Board on 6 July 2005

Non-Executive

Antonio Caliendo (62) (Chairman)

joined the Board on 25 November 2005

Franco Zanotti (47)

joined the Board on 25 November 2005

Company Secretary

Akin Yilmaz

was appointed on 13 November 2006

QPR Holdings Ltd Annual Report and Financial Statements as at 31st May 2006

Advisors and shareholder information

Auditors

Shipleys LLP
10 Orange Street
Haymarket
London
WC2H 7DQ

Group Offices

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

Bankers

Barclays Bank Plc
PO Box 378
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
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>

QPR Holdings Ltd Annual Report and Accounts 2006

Chairman's Statement

The results for the financial year 2005/06 show a loss of £3,344,000. This was due partly to an increase in player's salaries and player support costs. In the period the Directors continued to support the group by making available funds to cover any short fall in cash flow. The team had a *disappointing end to the season* and finished in the bottom half of the table.

Results and Dividends

During the year under review, the Group recorded a loss before interest and taxation of £2,358,000 (2005 – loss of £1,812,000). Turnover for the year increased from the previous year to £9,392,000 (2005 – £8,756,000). The Directors do not propose the payment of a dividend for the year under review (2005 – £nil).

Net Assets

Net assets as at 31 May 2006 amounted to £897,000 (2005 - £1,507,000) representing net assets per Ordinary share of 0.90 pence (2005 – 1.51 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 departed as manager and was replaced by Gary Waddock. The team had a disappointing run of results at the end of the season and finished in 21st Place in the Coca Cola Championship.

Average attendances were down compared to the previous year to 13,501 (2004/05 -16,060).

b) *Commercial Activities*

The disappointing end to the season led to a fall in the number of people attending games with an average attendance of 13,501 for 2005/2006 (16,060 for 2004/05). As a result, at the end of season 2005/2006, the number of season ticket holders stood at 8,056 (10,669 in 2004/05).

Board Changes

In the period William Power and Kevin McGrath resigned from the Board in September 2005 and Gualtero 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.

QPR Holdings Ltd Annual Report and Accounts 2006

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. They also aim to re-finance the ABC Corporation loan at a more favourable rate of interest.

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 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
24 April 2007

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2006

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 9 to 24. The Directors do not recommend the payment of any dividend for the year ended 31 May 2006.

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 2006		At 31 May 2005	
	Ordinary Shares	Options	Ordinary Shares	Options
Antonio Calendo (appointed 25/11/05)	17,521,061	-	-	-
Gianni Paladini (appointed 6/7/05)	14,763,183	-	-	-
Franco Zanotti (appointed 25/11/05)	19,900,000	-	-	-
Kevin McGrath (resigned 30/9/05)	8,790,740	-	8,790,740	-
William Power (resigned 9/9/05)	-	-	17,648,836	-
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	-	10,000,000	-
Gualtiero Trucco (appointed 10/11/04 and resigned on 25/11/05)	-	-	-	-

Board of Directors

The Board, at the end of the period covered by these financial statements, comprised of one Executive and two Non-Executives and was accountable to the shareholders for the proper management of the Company and Group. The Board meets regularly to review trading performance, ensure adequate funding and ultimately oversee the decisions of the Company and Group. 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 25 to the financial statements.

Financial Instruments

The group's principal financial instruments comprise bank balances, bank overdrafts, trade creditors, trade debtors, shareholder and other loans. The main purpose of these instruments is to raise funds for the group's operations and to finance the group's operations.

Due to the nature of the financial instruments used by the group there is no exposure to price risk. The group's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the risk is managed through the use of overdraft facilities negotiated with the group's bankers.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Shareholder and other loans are managed by ensuring that sufficient funds are available to repay interest and capital sums as they fall due.

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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,
- 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


Shipleys LLP were appointed as auditors during 2007 following the resignation of Nieman Walters Niman.

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Shipleys LLP be re-appointed as auditors of the company will be put to the Annual General Meeting.

Statement of disclosure to auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

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



Akin Yilmaz
Company Secretary
24 April 2007

Consolidated Profit and Loss Account

For the year ended 31 May 2006

	Note	2006	2005
		£'000	£'000
Turnover	2	<u>9,392</u>	<u>8,756</u>
Playing staff and matchday costs		(6,877)	(5,787)
Stadium and other direct operating costs		(1,231)	(1,299)
Amortisation of players' registrations		(171)	(386)
Cost of sales		<u>(8,279)</u>	<u>(7,472)</u>
Gross profit / (loss)		1,113	1,284
Administrative expenses	4	<u>(3,471)</u>	<u>(3,096)</u>
Operating loss	2	(2,358)	(1,812)
Profit/(loss) on disposal of players' registrations		-	-
Profit on disposal of fixed assets		-	-
Loss on ordinary activities before interest and taxation		<u>(2,358)</u>	<u>(1,812)</u>
Interest receivable and similar income	7	83	3
Interest payable and similar charges	8	<u>(1,069)</u>	<u>(693)</u>
Loss on ordinary activities before taxation	3	(3,344)	(2,502)
Tax on loss on ordinary activities	9	-	-
Loss on ordinary activities after taxation		<u>(3,344)</u>	<u>(2,502)</u>
Retained loss for the year	19	<u>(3,344)</u>	<u>(2,502)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

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 14 to 24 form part of these financial statements

Consolidated Balance Sheet

As at 31 May 2006

	Note	2006		2005	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		287		178
Tangible assets	11		<u>20,026</u>		<u>17,633</u>
			20,313		17,811
Current assets					
Stocks	13	254		145	
Debtors	14	336		547	
Cash at bank and in hand		<u>216</u>		<u>1,454</u>	
		806		2,146	
Creditors: amounts falling due within one year	15	<u>(6,702)</u>		<u>(7,265)</u>	
Net current assets/(liabilities)			(5,896)		(5,119)
Total assets less current liabilities			<u>14,417</u>		<u>12,692</u>
Creditors: amounts falling due after more than one year	16		(13,520)		(10,950)
Provisions for liabilities and charges	17		<u>-</u>		<u>(235)</u>
Net assets			897		1,507
Capital and Reserves					
Called up share capital	18		1,000		1,000
Share premium account	19		7,617		7,617
Revaluation reserve	19		10,085		7,351
Profit and loss account	19		<u>(17,805)</u>		<u>(14,461)</u>
Equity shareholders' funds			897		1,507

These financial statements were approved by the Board on 24 April 2007 and were signed on its behalf by



G Paladini
Director

The notes on pages 14 to 24 form part of these financial statements

Company Balance Sheet

As at 31 May 2006

	Note	2006		2005	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11		20,026		17,633
Investments	12		8,213		8,213
			<u>28,239</u>		<u>25,846</u>
Current assets					
Stocks	13	254		145	
Debtors	14	336		547	
Cash at bank and in hand		216		1,454	
		<u>806</u>		<u>2,146</u>	
Creditors, amounts falling due within one year	15	(17,529)		(18,136)	
			<u>(16,723)</u>		<u>(15,990)</u>
Net current liabilities					
			(16,723)		(15,990)
Total assets less net current liabilities			<u>11,516</u>		<u>9,856</u>
Creditors, amounts falling due after more than one year	16	(13,520)		(10,950)	
Provisions for liabilities and charges	17	-		(235)	
			<u>-</u>		<u>(235)</u>
Net (liabilities)/assets			<u>(2,004)</u>		<u>(1,329)</u>
Capital and reserves					
Called up share capital	18	1,000		1,000	
Share premium account	19	7,617		7,617	
Revaluation reserve	19	10,085		7,351	
Profit and loss account	19	(20,706)		(17,297)	
			<u>(2,004)</u>		<u>(1,329)</u>
Equity shareholders' funds			<u>(2,004)</u>		<u>(1,329)</u>

These financial statements were approved by the Board on 24 April 2007 and were signed on its behalf by



G Paladini
Director

The notes of pages 14 to 24 form part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31 May 2006

	Note	2006		2005	
		£'000	£'000	£'000	£'000
Net cash outflow from operating activities	21		(2,935)		(1,243)
Returns on investments and servicing of finance					
Interest received		89		3	
Interest paid		(1,069)		(693)	
Net cash outflow from returns on investment and servicing of finance			(980)		(690)
Capital expenditure					
Payments to acquire tangible fixed assets		(63)		(21)	
Receipts from sales of tangible fixed assets		-		7	
Payments to acquire players' registrations		(270)		(258)	
Net cash inflow from capital expenditure			(333)		(272)
Cash inflow/(outflow) before financing			(4,248)		(2,205)
Financing					
Debts due within one year					
New unsecured loan		-		225	
Repayment of unsecured loan		(50)		(666)	
Debt due beyond a year					
New unsecured loan		2,570		950	
New Share Capital		-		1,816	
Capital element of finance lease rental payments		-		-	
(Decrease)/increase in cash in the year	22		<u>(1,728)</u>		<u>120</u>

The notes on pages 14 to 24 form part of these financial statements

Statement of Total Recognised Gains and Losses

For the year ended 31 May 2006

	Group	
	2006	2005
	£'000	£'000
Loss for the financial year	(3,344)	(2,502)
Unrealised surplus on revaluation of properties	2,734	-
Total recognised gains and losses in respect of the financial year	<u>(610)</u>	<u>(2,502)</u>

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 May 2006

	Group	
	2006	2005
	£'000	£'000
Loss for the financial year	(3,344)	(2,502)
New share capital subscribed	-	332
Share premium	-	1,483
Other recognised gains and losses relating to the year	<u>2,734</u>	<u>-</u>
Net increase / (reduction) in shareholders' funds	(610)	(687)
Opening shareholders' funds	1,507	2,194
Closing shareholders' funds	<u>897</u>	<u>1,507</u>

Notes to the Financial Statements

For the year ended 31 May 2006

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 2008, and beyond. The directors are currently in the process of refinancing the secured ABC Corporation loan referred to in note 16 and also obtaining additional funds to pay outstanding debts due to HM Revenue & Customs and other creditors. Additionally the directors have committed themselves to continue to support the cashflow of the Group by making available any necessary funds, until the new financing is in place.

While there will always remain some inherent uncertainty the Directors remain confident that sufficient funds will be forthcoming either through new financing or Director funding 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 2006. 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 £3,409,000 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

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

	2006 £'000	2005 £'000
Turnover		
Matchday receipts	5,350	4,943
Television and media	906	935
Sponsorship, merchandising and commercial income	2,320	2,055
Other	816	823
	<u>9,392</u>	<u>8,756</u>
Analysed as		
QPR	8,517	7,296
Retail and other	875	1,460
	<u>9,392</u>	<u>8,756</u>
Operating loss		
Turnover	<u>9,392</u>	<u>8,756</u>
Cost of football activities	6,388	5,143
Amortisation of players' registrations	171	386
Stadium and match day costs	1,465	2,070
Commercial, marketing & retail costs	602	677
Other direct overheads	3,124	2,292
	<u>11,750</u>	<u>10,568</u>
Operating loss	(2,358)	(1,812)
Profit/(Loss) on disposal of players' registrations	-	-
Profit on disposal of fixed assets	-	-
Exceptional items	-	-
Loss on ordinary activities before interest and taxation	<u>(2,358)</u>	<u>(1,812)</u>

3 Loss on ordinary activities before taxation

	2006 £'000	2005 £'000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
Audit – Company	19	15
Audit – Group (including Company)	19	15
Other services	-	-
Depreciation and other amounts written off tangible fixed assets		
Owned	407	394
Leased	-	-
Amortisation of intangible fixed assets	171	386
Operating lease rentals		
Land and buildings	213	-
Other	-	-
And after crediting		
Rental income	-	32

4	Administrative expenses		
		2006	2005
		£'000	£'000
	Directors' remuneration	30	-
	Administrative salaries	1,039	1,123
	Office and utilities costs	1,085	920
	Depreciation	404	394
	Commercial and marketing	173	101
	Other	740	558
		<u>3,471</u>	<u>3,096</u>

5	Directors' remuneration		
	The remuneration of the Directors was		
		2006	2005
		£'000	£'000
	Directors' emoluments	30	-
		<u>30</u>	<u>-</u>

6	Staff numbers and costs		
	The average number of persons employed by the Group (including Directors) during the year to 31 May 2006, analysed by category, was as follows		
		2006	2005
	Players, managers, coaches and support staff	42	44
	Commercial, marketing and retail staff	8	8
	Stadium and maintenance staff	6	6
	Administrative staff	20	19
	Community projects	6	4
		<u>82</u>	<u>81</u>

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

		2006	2005
		£'000	£'000
	Wages and salaries	5,658	5,090
	Social security costs	678	605
	Other pension costs	5	5
		<u>6,341</u>	<u>5,700</u>

7	Interest receivable and similar income	2006 £'000	2005 £'000
	Interest receivable	<u>83</u>	<u>3</u>
		<u>83</u>	<u>3</u>
8	Interest payable and similar charges	2006 £'000	2005 £'000
	Amounts payable on all other loans	1,000	1,000
	Other interest payable	<u>69</u>	<u>(307)</u>
		<u>1,069</u>	<u>693</u>
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 £39,000,000		
10	Intangible fixed assets		Group £'000
	Cost		
	At 1 June 2005		573
	Additions		280
	Disposals		-
	At 31 May 2006		<u>853</u>
	Amortisation		
	At 1 June 2005		395
	Charge for the year		171
	Disposals		-
	At 31 May 2006		<u>566</u>
	Net Book Value		
	At 31 May 2006		<u>287</u>
	At 31 May 2005		<u>178</u>

Intangible fixed assets represent the cost of players' registrations

11 Tangible fixed assets

	Freehold Land & Buildings £'000	Plant & Equipment £'000	Motor Vehicles £'000	Fixtures & Fittings £'000	Total £'000
Group and Company					
Cost or valuation					
At 1 June 2005	17,464	2,640	-	427	20,531
Additions	-	66	-	-	66
Disposals/Adjustment	-	(118)	-	(6)	(124)
Revaluation	2,398	-	-	-	2,398
Cost at 31 May 2006	<u>19,862</u>	<u>2,588</u>	-	<u>421</u>	<u>22,871</u>
Depreciation					
At 1 June 2005	168	2,341	-	389	2,898
Disposals	-	(118)	-	(6)	(124)
Depreciation charge for the year	168	226	-	13	407
Revaluation depreciation	(336)	-	-	-	(336)
Depreciation at 31 May 2006	<u>-</u>	<u>2,449</u>	-	<u>396</u>	<u>2,845</u>
Net Book Value					
At 31 May 2006	<u>19,862</u>	<u>139</u>	-	<u>25</u>	<u>20,026</u>
At 31 May 2005	<u>17,296</u>	<u>299</u>	-	<u>38</u>	<u>17,633</u>

The Loftus Road Stadium was valued by Savills, Chartered Surveyors, as at 31 May 2006 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 2006 £'000	Group and Company 2005 £'000
Original cost	12,107	12,107
Depreciation based on cost	<u>(986)</u>	<u>(854)</u>
	<u>11,121</u>	<u>11,253</u>
The net book value of land and buildings comprises		
	Group and Company 2006 £'000	Group and Company 2005 £'000
Freehold	19,862	17,296
Long leasehold	<u>-</u>	<u>-</u>
	<u>19,862</u>	<u>17,296</u>

12 Fixed asset investments

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

	£'000
At Cost	
At 1 June 2005 and 31 May 2006	<u>8,213</u>
Net Book Value	
At 1 June 2005 and 31 May 2006	<u>8,213</u>

At 31 May 2006 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	Group	Company	Company
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Goods for resale	272	145	272	145
Provision for obsolete stock	(18)	-	(18)	-
	<u>254</u>	<u>145</u>	<u>254</u>	<u>145</u>

14 Debtors

	Group	Group	Company	Company
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade debtors	247	293	247	293
Transfer debtors	-	-	-	-
Other debtors	77	37	77	37
Prepayments and accrued income	12	217	12	217
	<u>336</u>	<u>547</u>	<u>336</u>	<u>547</u>

15 Creditors: amounts falling due within one year

	Group	Group	Company	Company
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	490	-	490	-
Shareholders' loan	201	201	201	201
Other loans	125	175	125	175
Obligations under finance leases and hire purchase contracts	-	-	-	-
Payments received on account	-	64	-	64
Trade creditors	1,182	1,186	1,182	1,186
Transfer creditors	-	10	-	-
Amounts owed to group undertakings	-	-	12,038	12,347
Taxation and social security	2,613	2,472	1,558	1,006
Other creditors	-	26	-	26
Accruals and deferred income	2,091	3,131	1,935	3,131
	<u>6,702</u>	<u>7,265</u>	<u>17,529</u>	<u>18,136</u>

The shareholders' and other loans are unsecured and interest free

16 Creditors: amounts falling due after more than one year

		Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Convertible Loans – Unsecured	16(a)	3,520	950	3,520	950
Other Loan – Secured	16(b)	10,000	10,000	10,000	10,000
		<u>13,520</u>	<u>10,950</u>	<u>13,520</u>	<u>10,950</u>

16(a) Convertible loans are repayable as follows

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Between two and five years	<u>3,520</u>	<u>950</u>	<u>3,520</u>	<u>950</u>

Unsecured convertible loans comprise of

Directors loans

£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.

£350,000 redeemable at any date before March 2011 at the option of the borrower. The outstanding loan is convertible into 4,666,667 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.

£950,000 redeemable at any date before March 2011 at the option of the borrower. The outstanding loan is convertible into 12,666,667 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.

£500,000 redeemable at any date before March 2011 at the option of the borrower. The outstanding loan is convertible into 6,666,667 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.

£350,000 redeemable at any date before March 2011 at the option of the borrower. The outstanding loan is convertible into 6,666,667 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.

£170,000 redeemable at any date before March 2011 at the option of the borrower. The outstanding loan is convertible into 2,266,227 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.

Other loans

£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.

£250,000 redeemable at any date before March 2011 at the option of the borrower. The outstanding loan is convertible into 3,333,333 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.

16(b) Other Loan - Secured is repayable as follows

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
After five years	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

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 2005	235	-
Additions	-	-
Payments made	(80)	-
Transfer to accruals	(155)	-
At 31 May 2006	<u>-</u>	<u>-</u>

A provision of £ 235,000 was recognised in 2005 for the potential legal claim against the football club from a one of its former players for breach of contract, this liability was subsequently payable and the £155,000 still outstanding is recorded as an accrual

18 Called up share capital

	2006 £'000	2005 £'000
<i>Authorised</i>		
Equity 100,000,000 Ordinary shares of 1p each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
Equity 100,000,000 Ordinary shares of 1p each	<u>1,000</u>	<u>1,000</u>

19 Reserves

	Share premium account £'000	Group Revaluation Reserve £'000	Profit and loss account £'000
At 1 June 2005	7,617	7,351	(14,461)
Retained loss for the year	-	-	(3,344)
Revaluation of fixed asset	-	2,734	-
Share premium	-	-	-
At 31 May 2006	<u>7,617</u>	<u>10,085</u>	<u>(17,805)</u>

	Share premium account £'000	Company Revaluation reserve £'000	Profit and loss account £'000
At 1 June 2005	7,617	7,351	(17,297)
Retained loss for the year	-	2,734	(3,409)
Share premium	-	-	-
At 31 May 2006	7,617	10,085	(20,706)

20 Commitments

At 31 May 2006 the company was committed to paying £213,000 per annum under a non-cancellable operating lease in relation to land and buildings

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

	2006 £'000	2005 £'000
Operating loss	(2,358)	(1,812)
Amortisation charge	171	386
Depreciation charge net of release of capital grants	407	433
(Increase) in stocks	(109)	(2)
(Increase)/decrease in debtors	211	(192)
(Decrease)/increase in creditors	(1,257)	(56)
Net cash outflow from operating activities	<u>(2,935)</u>	<u>(1,243)</u>

22 Reconciliation of net cash flow to movement in net debt

	2006 £'000	2005 £'000
(Decrease)/(increase) in borrowing in the year	(1,728)	120
Cash (inflow)/outflow from increase/decrease in debt financing	(2,520)	(620)
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	<u>(4,248)</u>	<u>(500)</u>
Non-cash reduction in capital element of shareholder's loan	-	111
Movement in net debt in the period	<u>(4,248)</u>	<u>(389)</u>
Opening net debt	<u>(9,872)</u>	<u>(9,483)</u>
Closing net debt	<u>(14,120)</u>	<u>(9,872)</u>

23 Analysis of net debt

	At 1 June 2005	Cash flow	Other non Cash changes	At 31 May 2006
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,454	(1,238)	-	216
Bank loans and overdrafts	-	(490)	-	(490)
Debt due after one year	(10,950)	(2,570)	-	(13,520)
Debt due within one year	(376)	50	-	(326)
Total	<u>(9,872)</u>	<u>(4,248)</u>	<u>-</u>	<u>(14,120)</u>

24 Related party transactions

During the year the company paid consultancy fees amounting to £ 75,000 (2005 - £76,615) to Moorbound Ltd , a shareholder of QPR Holdings ltd

25 Post balance sheets events

In August 2006, Dan Shittu was sold to Watford for £1,600,000 In August 2006 Dexter Blackstock was purchased from Southampton for £ 500,000 and Zesh Rehman was purchased from Fulham for £250,000

Independent auditors' report to the shareholders of QPR Holdings Limited

We have audited the financial statements of QPR Holdings Limited for the year ended 31 May 2006 which comprise the consolidated profit and loss account, consolidated and company balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes on pages 14 to 24. These financial statements have been prepared under 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 auditors' 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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, and whether in our opinion, the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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

Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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. However, the evidence available to us was limited because we were appointed as auditors of the company after 31 May 2006 and were therefore unable to undertake checks on the physical stock held in the club shop at the year end, or to satisfy ourselves concerning those stock quantities by alternative means.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

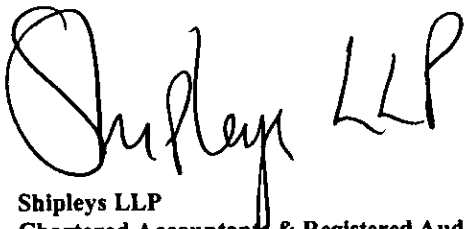
Going Concern

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that the directors are currently in the process of obtaining additional funds to pay outstanding debts to HM Revenue & Customs and other creditors. It also states that the directors have committed themselves to continue to support the cashflow of the group by making available any necessary funds until the new financing is in place.

Opinion: Limitation of scope – Qualified opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the physical stock quantities held in the club shop at the year end

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 May 2006 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Shipleys LLP
Chartered Accountants & Registered Auditors
10 Orange Street
Haymarket
London WC2H 7DQ

24 April 2007