Company Registration Number 3197756

QPR Holdings Limited

Financial Statements

31 May 2018

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QPR Holdings Limited

Company information

Year ended 31 May 2018

The board of directors	Mr T Fernandes Mr A Bhatia Mr K Meranun Mr R Gnanalingam Mr J Reuben
Registered office	Loftus Road Stadium South Africa Road London W12 7PJ
Auditor	Moore Stephens LLP Chartered Accountants Statutory Auditor 150 Aldersgate Street London EC1A 4AB
Bankers	The Royal Bank of Scotland PLC 155 Bishopsgate London EC2M 3YB Metro Bank One Southampton Row London WC1B 5HA

QPR Holdings Limited

Executive Chairman's Report

Year ended 31 May 2018

On behalf of the Board of Directors, I present the annual financial statements and reports for the year ended 31 May 2018.

On the Field

The 17/18 season was one of inconsistency on the field. The team were able to beat the league leaders at home in two consecutive matches in October, but ultimately were unable to push on from those performances. It was a season of rebuilding and reflection as the Club ultimately finished in 16th position.

At the end of the season, the Club decided to part company with Ian Holloway and appointed Steve McClaren as First Team Manager in June 2018.

Prospects

As part of the Financial Fair Play settlement (detailed further in Note 6), the Club was placed under a transfer embargo for the January 2019 transfer window. In view of the impending embargo, in June 2018, we reviewed the squad and made the necessary additions to the team in the form of incoming permanent transfers of Toni Leistner and Angel Rangel. We also signed 3 further players, Tomer Hemed, Nakhi Wells and Geoff Cameron on temporary loans.

The Board is confident that the players brought into the Under 23 squad are close to competing for places in the first team. Several players are already consistently making the first team squad and in Eberiche Eze, we have an exciting player who has established himself in the first team.

We were finally able to move forward with regards to the training ground. The Supreme Court rejected the application by Hanwell Community Forum seeking permission to appeal the order made by the Court of Appeal on 23 March 2018. Both the High Court and the Court of Appeal had previously confirmed that the council acted appropriately in granting QPR planning permission. With this ruling, the Club can finally proceed with the plans to construct the new training ground and Academy at Warren Farm. QPR is also investing millions of pounds into community facilities and a comprehensive community sports programme, which will significantly improve local people's access to sport.

On behalf of the Board, I would like to thank the QPR fans for their continued support and dedication to the Club. We look forward to continuing to welcome you to Loftus Road.

Amit Bhatia
Director

31 January 2019

Principal activities
The principal activity of the Company and the Group is that of a professional football club, with related commercial activities.

Business Review
The results for the year are summarised below:

- Group turnover was £31.3m, which is lower than in the previous year (£48m). This is primarily as a result of the decrease in parachute income following relegation from the Premier League during the 2014/15 season.
- Total ticketing revenue at £4.9m, was lower than in the prior year (£5.2m), which reflected the attrition in attendance due to a third season in a row the club was not participating the Premier League.
- Group operating losses increased to £22m after player trading.
- At the reporting date the Group had bank reserves of £2.5m.
- At the reporting date the Group's deficit position was £45.4m, compared with a £7.8 million deficit in the prior year.

Cash flow and treasury
Net cash outflow from operations amounted to £10.2m million as compared to a £900k inflow for the previous year.

The Group incurred a cash cost of £4.8m (2017: £19.7m) to acquire additional players during the year. The Group received £10m (2017: £12m) in shareholder financing during the year and repaid the £4m (2017: £7.5m) balance of the bank loan. The Group paid out £21,000 (2017: £200,000) in relation to interest during the year.

Risks and uncertainties
There are a number of potential risks and uncertainties that could have a material impact on the Group's long term performance. These risks and uncertainties are monitored by the Board on a regular basis and the Board remains confident that the Group has sufficient financial backing to manage these issues.

Football
The Group's income will always be directly affected by the performance of the first team and the Club's league status.

The level of attendance may be influenced by factors such as the success of the team, ticket prices, broadcast coverage and the general economic climate.

The performance of the playing squad, as well as the football management staff, is hugely important to the Group, which maintains its strategy of trying to retain the highest quality playing and management staff. The Group operates in a highly competitive market for talent and the market rates for transfers and wages is, to a varying degree, dictated by competitors and the Group recognises the significance of this in relation to the desire to maintain the strength of the first team.

The Club is regulated by the rules of the various governing bodies and any change to these rules could have an impact on the Group. The Group monitors its compliance with all applicable rules and considers the impact of any changes.

Commercial
The Group derives income from sponsorship and other commercial arrangements.

Broadcasting and certain other revenues are derived from contracts that are currently centrally negotiated by the Premier League and Football League; the Group does not have any influence on the outcome of the relevant contract negotiations.

Post reporting date events
The details of these are included in note 24 of the financial statements.

Future Developments
The short term objective is to be competitive in the Championship and target a play-off place. The Board's primary aim is also to implement the strategic plans to ensure that the Club is self-sustainable in the near future.

Going Concern
The group's business activities, together with the factors likely to affect its future development and performance are set out above. The financial position of the group, its cash flows, liquidity position and borrowings are described in these financial statements.

The directors, based on cash flow projections prepared by management and through confirmation of continuing support from the groups' main shareholders and creditors, have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

Financial Fair Play Challenge
The hearing for the challenge against the legality of the Football League's Championship Financial Fair Play Rules was completed in mid-June 2017. In October 2017, the arbitral panel dismissed the Club's claim that the Rules were unlawful under Competition Law and also found that the fine levied by the Football League on the Club was not disproportionate.

The Club lodged an appeal against the decision and the appeal was due to be heard in July 2018 before a new panel. Following extensive discussions between the parties, the appeal was subsequently withdrawn and the dispute was settled. Further information on the terms of the settlement is disclosed in note 6 of these financial statements.

Financial risk management objectives and policies
Financial instruments are used for financing purposes only. It is group policy not to trade in financial instruments. The details of financial risk management are included in note 23 of the financial statements.

The board of directors sets out the financial risk management policies that are implemented by the finance department. The Board considers that financial risks do not pose a major threat to the company.

Amit Bhatia
Director

Approved by the directors on 31 January 2019

The directors have pleasure in presenting their report and the audited financial statements of the group for the year ended 31 May 2018.

Results and dividends
The loss for the year amounted to £37.5m (2017: £6.4m). The directors have not recommended a dividend.

Directors
The directors who served the company during the year were as follows:

Mr A Bhatia
Mr T Fernandes
Mr K Meranun
Mr R Gnanalingam

Mr Raslan and Mr Razak resigned as directors 11 December 2017.
Mr Reuben was appointed as a director 20 September 2018.

Directors' responsibilities
The directors are responsible for preparing the strategic and directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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 that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' indemnities
The Group maintains directors' and officers' liability insurance providing appropriate cover for any legal action brought against its Directors.

Strategic Report
The business review and risk management policy are located in the strategic report on pages 3 to 4.

Auditor
Moore Stephens LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Insofar as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the directors

Amit Bhatia
Director
Approved by the directors on 31 January 2019

Opinion

We have audited the financial statements of QPR (Holdings) Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 May 2018 which comprise the consolidated statement of comprehensive expense, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows, consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Moore Stephens LLP

Gareth Jones FCA, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Date: 31 January 2019

Consolidated statement of comprehensive expense

Year ended 31 May 2018

	Note	2018 £'000	2017 £'000
Revenue	2	**31,317**	47,964
Cost of sales		**(44,100)**	(45,226)
Gross (loss)/profit		**(12,783)**	2,738
Administration expenses		**(9,624)**	(10,759)
Operating loss	3	**(22,407)**	(8,021)
Exceptional item	6	**(20,000)**	-
Profit on disposal of plant & equipment	7	**3**	12
(Loss)/profit on disposal of player registrations	7	**(137)**	7,276
		(42,541)	(733)
Finance income	8	**5,017**	364
Finance costs and similar charges	8	**(21)**	(6,071)
Loss on ordinary activities before taxation		**(37,545)**	(6,440)
Tax	9	**-**	(3)
Loss for the financial year and total comprehensive expense		**(37,545)**	(6,443)

All of the activities of the group are classed as continuing.

The notes on pages 14 to 28 form part of these financial statements

	Note	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	10	**7,246**	17,513
Property plant and equipment	11	**22,515**	23,411
		29,761	40,924
Current assets			
Inventories	13	**462**	301
Trade and other receivables	14	**4,261**	11,105
Cash and cash equivalents		**2,490**	4,447
		7,213	15,853
Current liabilities	15	**(71,747)**	(64,377)
Net current liabilities		**(64,534)**	(48,524)
Total assets less current liabilities		**(34,773)**	(7,600)
Non-current liabilities	16	**(10,613)**	(241)
		(45,386)	(7,841)
Capital and reserves			
Share capital	21	**71,500**	71,500
Share premium account		**160,301**	160,301
Profit and loss account		**(277,187)**	(239,642)
Net shareholder funds		**(45,386)**	(7,841)

These financial statements were approved by the directors and authorised for issue on 31 January 2019, and are signed on their behalf by:

....

Amit Bhatia
Director

The notes on pages 14 to 28 form part of these financial statements

	Note	2018 £'000	2017 £'000
Non-current assets			
Property plant and equipment	11	**22,515**	23,411
Investments	12	**5,520**	5,520
		28,035	28,931
Current assets			
Inventories	13	**462**	301
Trade and other receivables	14	**1,595**	9,267
Cash and cash equivalents		**2,360**	4,241
		4,417	13,809
Current liabilities	15	**(69,191)**	(56,727)
Net current liabilities		**(64,774)**	(42,918)
Total assets less current liabilities		**(36,739)**	(13,987)
Capital and reserves			
Share capital	21	**71,500**	71,500
Share premium account		**160,301**	160,301
Profit and loss account		**(268,540)**	(245,788)
Net shareholder funds		**(36,739)**	(13,987)

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its statement of profit or loss.

The loss dealt with in the financial statements of the parent company was £22,752,000 (2017: £6,456,000). This mainly arose due to the management charge raised by the subsidiary, Queens Park Rangers Football & Athletic Club Limited to absorb its net operating cost. The net operating cost does not include the Exceptional Item referred to in Note 6.

These financial statements were approved by the directors and authorised for issue on 31 January 2019, and are signed on their behalf by:

....
Amit Bhatia
Director

Company Registration Number: 3197756

The notes on pages 14 to 28 form part of these financial statements

	Note	**2018** **£'000**	2017 £'000
Net cash (outflow)/inflow from operating activities	22	**(10,228)**	900
Returns on investments and servicing of finance	22	**(15)**	164
Capital expenditure and financial investment	22	**2,286**	(8,725)
Cash outflow before financing		**(7,957)**	(7,661)
Cash flows from financing activities	22	**6,000**	4,750
Net change in cash and cash equivalents		**(1,957)**	(2,911)
Cash and cash equivalents at beginning of year		**4,447**	7,358
Cash and cash equivalents at end of year		**2,490**	4,447

The notes on pages 14 to 28 form part of these financial statements

	Note	2018 £'000	2017 £'000
Net cash outflow from operating activities	22	**(7,272)**	(5,950)
Cash flows from investing activities	22	**(15)**	137
Capital expenditure and financial investment	22	**(594)**	(920)
Cash outflow before financing		**(7,881)**	(6,733)
Cash flows from financing activities	22	**6,000**	4,750
Net change in cash and cash equivalents		**(1,881)**	(1,983)
Cash and cash equivalents at beginning of year		**4,241**	6,224
Cash and cash equivalents at end of year		**2,360**	4,241

Group	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Equity shareholders' funds as at 1 June 2016	64,014	160,301	(233,199)	**(8,884)**
Transactions with owners				
Ordinary Share issue	7,486	-	-	**7,486**
Loss and total comprehensive expense for the year	-	-	(6,443)	**(6,443)**
Equity shareholders' funds as at 31 May 2017	71,500	160,301	(239,642)	**(7,841)**
Loss and total comprehensive expense for the year	-	-	(37,545)	**(37,545)**
Equity shareholders' funds as at 31 May 2018	**71,500**	**160,301**	**(277,187)**	**(45,386)**

Company	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Equity shareholders' funds as at 1 June 2016	64,014	160,301	(239,332)	**(15,017)**
Transactions with owners				
Ordinary Share issue	7,486	-	-	**7,486**
Loss and total comprehensive expense for the year	-	-	(6,456)	**(6,456)**
Equity shareholders' funds as at 31 May 2017	71,500	160,301	(245,788)	**(13,987)**
Loss and total comprehensive expense for the year	-	-	(22,752)	**(22,752)**
Equity shareholders' funds as at 31 May 2018	**71,500**	**160,301**	**(268,540)**	**(36,739)**

The notes on pages 14 to 28 form part of these financial statements

1. Accounting policies

a) Statement of compliance

QPR Holdings Limited is a private company limited by shares incorporated in England and Wales, No: 3197756. The Registered Office is Loftus Road Stadium, South Africa Road, London, W12 7PJ.

b) Basis of accounting

The consolidated financial statements have been prepared in accordance with Financial Reporting Standard 102 as issued by the Financial Reporting Council. The financial statements have been prepared on the historical cost basis except for player registration fees greater than one year which are recorded at amortised cost. The principal accounting policies that have been applied consistently by all Group companies to all periods presented in these consolidated financial statements are set out below. The financial statements are prepared in sterling, rounded to the nearest thousand, which is the functional currency of the entity.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

The directors, based on cash flow projections prepared by management and through confirmation of continuing support from the groups' main shareholders and creditors, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. As a consolidated statement of comprehensive expense is published, a separate statement of profit or loss for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

d) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in the normal course of business. Revenue represents match receipts, sponsorship and other income associated with the continuing principal activity of running a professional football club and excludes Value Added Tax.

e) Player costs and transactions

(i) ***Initial capitalisation***

The costs associated with the acquisition of player registrations are capitalised as intangible fixed assets. Any intangible assets acquired on deferred terms are recorded at the fair value at the date of acquisition. The fair value represents the net present value of the costs of acquiring player registrations.

(ii) ***Amortisation***

These costs are fully amortised on a straight-line basis in equal annual instalments over the period of the respective contracts.

(iii) ***Contingent consideration***

Under the conditions of certain transfer agreements, further fees will be payable to the vendors in the event of the players concerned making a certain number of First Team appearances. Liabilities in respect of these additional transfers are accounted for, as provisions, when it becomes probable that the number of appearances will be achieved or the specified future events will occur.

(iv) ***Impairment***

The Group will perform an impairment review on the intangible assets if events or changes in circumstances indicate that the carrying amount of the player may not be recoverable. The Group compares the carrying amount of the asset with its recoverable amount. The Group does not consider that it is possible to determine the value in use of an individual football player in isolation as that player (unless via a sale or insurance recovery) cannot generate cash flows on his own. Furthermore, the Group also considers that all of the players are unable to generate cash flows even when considered together. Accordingly the Group considers the smallest cash-generating unit to contain all the other First Team players, the Stadium and the training facilities.

1. Accounting policies *(continued)*

The Group calculates the value in use of this cash-generating unit by discounting estimated expected future cash flows (being the pre-player trading cash flows generated by the Group's existing operations and any future capital expenditure on the ground and First Team squad). The Group compares this with its assessment of the fair value less costs to sell off all of the First Team players and the higher of these two numbers is deemed to be the recoverable amount.

In certain rare instances there may be an individual player whom the Group does not consider to be part of the First Team squad and who will therefore not contribute to the future cash flows earned by the cash-generating unit. This is normally due to a permanent career-threatening injury/condition or due to a serious and permanent fall out with the Group's senior football management and Directors which, as a consequence, means the Group consider it highly unlikely he will ever play for the First Team again. In this situation, the carrying value of the player is removed from the carrying value of players assessed as part of the cash-generating unit referred to above and instead this player will be assessed for impairment in isolation by considering his carrying value with the Group's best estimate of his fair value less costs to sell. The Group estimate this using one of the following sources:

- in the case of a player who has permanently fallen out with the Group's senior football management and directors, either the agreed selling price in the event the player has been transferred subsequent to the year-end; or
- If there have not been any bids for the player, management's best estimation of the disposal proceeds (less costs) of the player on an arm's length basis. This is determined by the Group's senior football management in conjunction with the Directors who will use the outcome of recent player disposals (by both the Group and other football clubs) as a basis for their estimation. Any costs to sell, such as agency costs are deducted from the fair value; or
- in the case of a player who has suffered a career-threatening injury/condition, the value attributed to the player by the Group's insurers.

(v) ***Disposals***
Profits or losses on the disposal of these registrations represent the fair value of the consideration receivable, net of any transaction costs, less the unamortised cost of the original registration.

(vi) ***Remuneration***
Remuneration of players is charged in accordance with the terms of the applicable contractual agreements and any discretionary bonus when there is a legal or contractual obligation. Liabilities in respect of player loyalty fees are provided for, as part of operating expenses, when payment becomes probable as the player is contracted to the football club and the loyalty fee is payable prior to the next transfer window at the date the accounts are signed.

f) Fixed assets
All fixed assets are initially recorded at cost net of any capital contribution, with the exception of the stadium which has been included at a valuation of the replacement cost of the new stadium.

g) Depreciation
Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Buildings	-	10 to 50 years straight line
Plant & machinery	-	5 years straight line
Fixtures & fittings	-	5 years straight line

Land and assets under construction are not depreciated.

h) Inventories
Inventories are valued at the lower of cost and net realisable value using the first in first out method, after making due allowance for obsolete and slow moving items.

i) Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

j) Foreign exchange
Transactions denominated in foreign currencies are translated into Sterling and recorded at the rates of exchange ruling at the date of the transactions. Translation differences are dealt with in the consolidated statement of comprehensive expense.

1. Accounting policies *(continued)*

k) Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the reporting date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered.

l) Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Financial assets

The Group's financial-assets relate to trade and other receivables and cash and cash equivalents. Trade and other receivables are classified as loans and receivables and are measured initially at fair value plus transaction costs and are carried subsequently at amortised cost under the effective interest method, less provision for any impairment. Any change in their value through impairment or reversal of impairment is recognised in the consolidated statement of profit or loss. There are no financial assets classified as fair value through profit or loss or as held to maturity or available for sale. All financial assets are assessed for indicators of impairment at each consolidated statement of financial position date. Financial assets are impaired where there is evidence that a loss has occurred and that estimated future cash flows of the financial asset have been impacted. Objective evidence of impairment for a portfolio of receivables could include a Group's past experience of collecting payments, an increase in the delayed number of payments in the portfolio and the average credit period, as well as observed changes in the national or local economic conditions that correlate with default on receivables.

Impairment of financial assets

All financial assets are assessed for indicators of impairment at each reporting date.

Financial liabilities

Financial liabilities which include bank loans, overdrafts and trade and other payables are measured initially at fair value net of transaction costs under the effective interest method and thereafter at amortised cost. Finance charges are accounted for on an accruals basis in the consolidated statement of comprehensive expense using the effective interest method.

De-recognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled, or they expire.

m) Finance costs

Finance costs of borrowings are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the borrowings.

Any non-current assets acquired on deferred terms are recorded at the discounted present value at the date of acquisition. The associated payable is then increased to the settlement value over the period of deferral, with this value being charged as a notional finance cost to profit or loss.

Similarly any intangible asset disposed of on deferred terms will be initially recorded at the discounted present value of future receipts and the receivable is then increased to the settlement value over the period of deferral with this value being charged as notional finance income to profit or loss.

n) Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to profit or loss.

o) Investments

Investments in subsidiaries are stated at cost less impairment. Impairment reviews are carried out as required.

p) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks including deposits with an original maturity of three months or less. Cash and cash equivalents are measured at fair value.

1. **Accounting policies *(continued)***

q) **Going concern**
The directors, based on cash flow projections prepared by management and through confirmation of continuing support from the groups' main shareholders and creditors, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

r) **Critical accounting judgements and estimates**
In the application of the group's accounting policies, which are described herein, the directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The principal balances in the financial statements where changes in estimates and assumptions may have a material impact are:

(i) ***Contingent liabilities***
Current liabilities and provisions contain contingent bonuses payable to employees, players and football clubs and are based on the best information available to management at the reporting date. However, the future costs assumed are inevitably only estimates, which may differ from those ultimately incurred.

(ii) ***Recoverable amount of non-current assets***
All non-current assets, including property, plant and equipment and intangible assets, are reviewed for potential impairment using estimates of the future economic benefits attributable to them. Such estimates involve assumptions in relation to future ticket income, media and sponsorship revenue and on pitch performance. Any estimates of future economic benefits made in relation to non-current assets may differ from the benefits that ultimately arise, and materially affect, the recoverable value of the asset.

(iii) ***Player Registrations***
Fees payable to other football clubs on the transfer of players' registrations, including league levies are recorded as intangible fixed assets. Fees payable which are contingent on a future event are recorded as intangible fixed assets, if in the opinion of the Directors, the future event is more likely than not to occur during the life of the player's contract. Fees contingent on a future event which has a material uncertainty are dealt with through profit or loss in the year in which the event occurs. These intangible assets are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

2. **Revenue**

The revenue and loss before tax are attributable to the one principal activity of the group, and are derived from activities wholly within the United Kingdom.

Revenue may be analysed as follows:

	2018	2017
	£'000	£'000
Gate receipts	**4,901**	5,200
Broadcasting rights	**20,154**	35,258
Sponsorship, advertising	**1,401**	1,311
Commercial income	**2,221**	2,148
Sales of inventories	**1,038**	1,206
Other income	**1,602**	2,841
	31,317	47,964

3. Operating loss

This is stated after charging the following:

	2018 £'000	2017 £'000
Amortisation of intangible assets	**9,098**	11,299
Depreciation of owned fixed assets	**1,493**	1,479
FX loss	**107**	37
Operating lease rentals		
- land & buildings	**615**	590
Auditor's remuneration		
- as auditor	**25**	36
- accountancy	**7**	12
- taxation advice	**-**	2

4. Particulars of employees

The average number of staff, including executive directors, employed by the group during the financial year can be analysed as follows:

	2018 No.	2017 No.
Number of football support staff	**12**	13
Players, managers and coaches	**119**	111
Administrative staff	**19**	21
Commercial, marketing and retail staff	**18**	18
Stadium and maintenance staff	**6**	6
	174	169

The aggregate payroll costs of the above were:

	2018 £'000	2017 £'000
Wages and salaries	**26,975**	27,320
Social security costs	**3,523**	3,218
Other pension costs	**160**	149
	30,658	30,687

Key management compensation:

	2018 £'000	2017 £'000
Wages and salaries	**1,520**	1,499
Other pension costs	**11**	19
	1,531	1,518

5. Directors remuneration

No remuneration was paid to directors during the year (2017: £Nil)

6. Exceptional item

An arbitral panel on the 19 October dismissed the Club's claim that the English Football League's 2012 Financial Fair Play Rules were unlawful under Competition Law and also found that the fine of £41.965m for failing to comply with the Rules was not disproportionate.

The Club lodged an appeal against the decision and the appeal was due to be heard in London in July 2018 before a new panel.

Following extensive discussions between the parties the appeal was withdrawn and the dispute was settled on the following terms:

- A fine of £17m
- Club to pay the EFL's legal costs of £3m
- A transfer embargo in the 2019 January transfer window
- The Club's significant shareholders to capitalise £21.965m of outstanding loans.

7. (Loss) / profit on disposal of non-current assets

	2018 £'000	2017 £'000
Profit on disposal of plant & equipment	3	12
(Loss) /Profit on disposal of players' registrations	(137)	7,276

8. Finance Costs

	2018 £'000	2017 £'000
Finance Income		
- Bank interest	6	6
- Amortised cost credit	21	358
- Amortised cost credit - FFP Fine	4,990	-
	5,017	364
Finance costs		
- Interest on other loans	(21)	(282)
- Amortised cost charge	-	82
- Shareholder loans	-	(5,871)
	(21)	(6,071)

9. Taxation on ordinary activities

(a) Analysis of charge in the year

	2018 £'000	2017 £'000
Current tax:		
UK Corporation tax based on the results for the year	-	3

9. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK, the differences are explained below:

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	**(37,545)**	(6,440)
Loss on ordinary activities multiplied by standard rate of tax of 19% (2017 - 19.83%)	**(7,134)**	(1,277)
Expenses not deductible for tax	**29**	1,192
Fixed assets and other differences	**190**	230
Unrelieved/relieved tax losses	**6,915**	(142)
Total current tax (note 9(a))	**-**	3

A potential deferred tax asset exists at the reporting date in respect of tax losses carried forward. This has not been recognised in the accounts as there is insufficient evidence that the asset will be recoverable.

Tax losses carried forward at the reporting date were £349m (2017 - £313m).

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016.

10. Intangible fixed assets

Group	Player registrations £'000
Cost	
At 1 June 2017	34,872
Additions	1,832
Disposals	(20,006)
At 31 May 2018	16,698
Amortisation	
At 1 June 2017	14,946
Charge for the year	9,098
On disposals	(14,592)
At 31 May 2018	9,452
Impairment	
At 1 June 2017	2,413
Charge for the year	-
Disposals	(2,413)
At 31 May 2018	-
Net book value	
At 31 May 2018	**7,246**
At 31 May 2017	17,513

Impairment charges are included within the consolidated statement of expense under cost of sales.

The group has chosen not to disclose carrying amounts for individual players, the average remaining amortisation period for the current players is 19 months.

11. Tangible fixed assets

Group and company

	Freehold land and buildings £'000	Assets under construction £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Total £'000
Cost or valuation					
At 1 June 2017	21,112	4,281	5,233	967	31,593
Additions	202	195	179	21	597
Reallocation	-	(215)	215	-	-
Disposals	-	-	(18)	-	(18)
At 31 May 2018	21,314	4,261	5,609	988	32,172
Depreciation					
At 1 June 2017	3,090	-	4,174	918	8,182
Charge for the year	1,088	-	376	29	1,493
On disposals	-	-	(18)	-	(18)
At 31 May 2018	4,178	-	4,532	947	9,657
Net book value					
At 31 May 2018	**17,136**	**4,261**	**1,077**	**41**	**22,515**
At 31 May 2017	18,022	4,281	1,059	49	23,411

12. Investments

Company

	2018 £000	2017 £000
Net book value at 1 June and 31 May	**5,520**	5,520

The investment represents a 100% holding in Queens Park Rangers Football & Athletic Club Limited, a professional football club, incorporated in England and Wales. The registered office of the subsidiary is the same as QPR Holdings Limited, noted on page 1. Queens Park Rangers Football & Athletic Club Limited is included in this set of consolidated financial statements.

13. Inventories

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Goods held for resale.	**462**	301	**462**	301

14. Trade and other receivables

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade receivables	**1,246**	1,444	**1,246**	1,444
Player registration transfer receivables	**64**	4,907	**-**	-
VAT	**39**	-	**39**	-
Other receivables	**124**	73	**124**	74
Prepayments and accrued income	**2,788**	4,681	**186**	148
Amounts owed by group undertakings	**-**	-	**-**	7,601
	4,261	11,105	**1,595**	9,267

15. Current liabilities

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Bank Loan	**-**	4,000	**-**	4,000
Trade payables	**775**	910	**775**	910
Player registration transfer payables	**923**	4,000	**-**	-
Amounts owed by group undertakings	**-**	-	**7,083**	-
Convertible shareholder loans	**56,000**	46,000	**56,000**	46,000
Corporation tax	**-**	3	**-**	-
Taxation and social security	**2,098**	1,860	**1,155**	760
Other creditors	**10**	8	**10**	9
FFP settlement	**4,700**	-	**-**	-
Accruals and deferred income	**7,241**	7,596	**4,168**	5,048
	71,747	64,377	**69,191**	56,727

The bank loan of £4,000,000 was repaid in July 2017.

The revised convertible shareholder loans relate to loans repayable to Total Soccer Growth Sdn Bhd. The loans are interest free and have no fixed payment terms.

16. Non-current liabilities

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Player registration transfer payables	**303**	241	**-**	-
FFP settlement	**10,310**	-	**-**	-
	10,613	241	**-**	-

The FFP settlement is shown at an amortised cost basis, discounted from a £20,000,000 full value (2017: NIL). £4,700,000 falls due within one year and is shown within note 15, the remainder is payable over eight years.

Player registration transfer payables is shown at an amortised cost basis, discounted from a £333,333 full value, (2017: £250,000).

The company's player registration transfer payables and FFP settlement at the reporting date which have been discounted at the group's cost of capital and which do not include interest payments are detailed as follows:-

	2018	2017
	£'000	£'000
Less than 1 year		
FFP Settlement	**4,700**	-
Greater than 1 year		
FFP Settlement	**15,300**	-
FFP Settlement – Discounting adjustment	**(4,990)**	-
Player registration transfer payables	**333**	250
Player registration - Discounting adjustment	**(30)**	(9)
Carrying value	**10,613**	241
Total	**15,313**	241

17. Payables - capital instruments

The maturity profile of the group's total borrowings at the reporting date which are carried at amortised cost are as follows:

	2018			2017		
	Principal £'000	**Interest £'000**	**Total £'000**	Principal £'000	Interest £'000	Total £'000
In one year or less or on demand	**59,723**	**977**	**60,700**	50,000	6,098	56,098
In more than one year but not more than five years	**3,867**	**2,933**	**6,800**	-	-	-
In more than five years	**7,420**	**1,080**	**8,500**			
	71,010	**4,990**	**76,000**	50,000	6,098	56,098

18. Commitments under operating leases

The Club is committed to paying a non-cancellable operating lease in relation to land & buildings which does expire within the next five years.

	Group		**Company**	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Not later than 1 year	**615**	590	**615**	590
Later than 1 year and not later than 5 years	**974**	1,105	**974**	1,105
	1,589	1,695	**1,589**	1,695

19. Related parties

During the period, loans were provided to the group by Total Soccer Growth Sdn Bhd a shareholder of the group. Details of these loans are shown in note 15.

During the period the group pledged £118,787 (2017: £103,986) to QPR in the Community Trust.

During the year the group spent £566,521 (2017: £560,919) on behalf of Rangers Developments Limited, an entity under common control, £113,242 (2017: £55,182) is still owed to the group at the reporting date and is included within other receivables in note 14.

In accordance with the exemption permitted by Financial Reporting Standard 102, Section 33 "Related Party Disclosures", transactions with other group undertakings have not been disclosed in these financial statements.

20. Ultimate Controlling Party

The company is incorporated in England and Wales. The address of the Company's registered address is Loftus Road Stadium, South Africa Road, London, W12 7PJ. The company is a subsidiary of Total Soccer Growth Holdings Ltd which is the ultimate holding company incorporated in Malaysia. The smallest and largest group in which results of the company are consolidated is that headed by Total Soccer Growth Holdings Ltd which is the holding company of Total Soccer Growth Sdn Bhd. The consolidated accounts of this company are available to the public and may be obtained from the company registrar.

As part of the Financial Fair Play Settlement referred to in Note 6, the Company capitalised £21.965m of shareholder loans. This capitalisation is reflected in the ownership structure below.

The current ownership of QPR Holdings Limited is as follows:

- 51.01% Total Soccer Growth Sdn Bhd, the ultimate owner of which is Ruben Gnanalingam
- 45.85% Tune QPR Sdn. Bhd., the ultimate owners of which are Tony Fernandes, Kamarudin Meranun
- 2.94% Sea Dream Ltd., the ultimate owners of which are the L.N.Mittal Family
- 0.19% variety of minority shareholders

21. Share capital and reserves

Authorised share capital:

	2018	2017
	£000	£000
6,401,399,029 Ordinary shares of £0.01 each	**64,014**	64,014
7,486,367,000 Ordinary B shares of £0.001 each	**7,486**	7,486
	71,500	71,500

Allotted and called up:

	2018		2017	
	No	**£000**	No	£000
Ordinary shares of £0.01 each	**6,401,399,029**	**64,014**	6,401,399,029	64,014
Ordinary B shares of £0.001 each	**7,486,367,000**	**7,486**	7,486,367,000	7,486

The ordinary B shares have a different par value but carry the same voting rights.

Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

22. Notes to the cash flow statement

Group

Reconciliation of operating loss to net cash outflow from operating activities

	2018 £000	2017 £000
Operating loss	**(22,407)**	(8,021)
Amortisation	**9,098**	11,299
Depreciation	**1,493**	1,479
Change in stocks	**(161)**	(226)
Change in debtors	**2,001**	(1,606)
Change in creditors	**(252)**	(2,022)
Cash used in operations	**(10,228)**	903
Tax paid	**-**	(3)
Net cash (outflow)/inflow from operating activities	**(10,228)**	900

Returns on investments and servicing of finance

	2018 £000	2017 £000
Interest received	**6**	364
Interest paid	**(21)**	(200)
Net cash inflow/(outflow) from returns on investments and servicing of finance	**(15)**	164

Capital expenditure

	2018 £000	2017 £000
Payments to acquire player registrations	**(4,826)**	(19,676)
Payments to acquire tangible fixed assets	**(597)**	(932)
Receipts from sale of player registrations	**7,706**	11,871
Receipts from sale of tangible fixed assets	**3**	12
Net cash inflow/(outflow) from capital expenditure	**2,286**	(8,725)

Financing

	2018 £000	2017 £000
Net inflow from shareholder financing	**10,000**	12,000
Net outflow from short-term borrowing	**(4,000)**	(7,250)
Net cash inflow from financing	**6,000**	4,750

Net cash is defined as cash and cash equivalents.

22. Notes to the cash flow statement *(continued)*

Company

Reconciliation of operating loss to net cash outflow from operating activities

	2018 £000	2017 £000
Operating loss	**(22,740)**	(734)
Depreciation	**1,493**	1,479
Change in stocks	**(161)**	(226)
Change in debtors	**7,672**	(6,280)
Change in creditors	**6,464**	(189)
Net cash outflow from operating activities	**(7,272)**	(5,950)

Returns on investments and servicing of finance

	2018 £000	2017 £000
Interest received	**6**	337
Interest paid	**(21)**	(200)
Net cash (outflow)/inflow from returns on investments and servicing of finance	**(15)**	137

Capital expenditure

	2018 £000	2017 £000
Payments to acquire tangible fixed assets	**(597)**	(932)
Receipts from sale of intangible fixed assets	**3**	12
Net cash outflow from capital expenditure	**(594)**	(920)

Financing

	2018 £000	2017 £000
Net inflow from other long-term creditors	**10,000**	12,000
Net outflow from short-term borrowing	**(4,000)**	(7,250)
Net cash inflow from financing	**6,000**	4,750

23. Financial instruments

Capital risk management
The Group manages its capital to ensure that the Group will be able to continue as a going concern through the optimisation of the debt and equity balance. The capital structure of the Group consist of debt, which includes borrowings disclosed in notes 15 and 16, cash and cash equivalents and equity attributable to equity holders, comprising issued share capital, share premium and the profit and loss account.

The main purpose of financial instruments is to finance the group's operations. The group has other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

Categories of financial instruments

	2018	2017
	£000	£000
Financial Assets		
- cash and cash equivalent	**2,490**	4,447
- trade and other receivables	**1,434**	6,424
	3,924	10,871
Financial Liabilities		
- trade and transfer related creditors	**17,021**	5,159
- borrowings	**56,000**	50,000
	73,021	55,519

The above financial assets and financial liabilities do not include prepayments and accruals respectively

Financial risk management objectives and policies
Management monitor and manage the financials risks relating to the operations of the Group through internal controls. These risks include currency risk, credit risk and liquidity risk.

Foreign currency risk
The Group has no significant exposure to the risk of changes in foreign currency exchange rates

Credit risk
The Group's principal financial assets are bank balances, cash and trade receivables. The Group's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement financial position are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Directors. The Directors use management information tools including budgets and cash flow forecasts to be able to constantly monitor and manage current and future liquidity.

The funding of the Group is through loans from the principal shareholder as disclosed in notes 15 and 16.

24. Post reporting date events

During the summer transfer window we secured Toni Leistner and Angel Zaragoza on permanent transfers as well as Geoffrey Cameron, Tomer Hemed and Nahki Wells on season long loans.

Alex Smithies transferred to Cardiff City. Conor Washington's contract was terminated by mutual contract and in addition Jay Emmanuel-Thomas, Jamie Mackie, Nedum Onuoha, James Perch and Jack Robinson departed due to their contracts expiring.

A settlement was reached in relation to the fine issued by the English Football League in relation to the dispute of the 2012 Financial Fair Play Rules. The details of this are shown in note 6. As part of the settlement exercise, £21,965,000 of shareholder loans were capitalised into ordinary shares of £0.01 each. The shares were issued on 16 July 2018 (see note 20).

We have cleared the final hurdle with regards to the development of the training ground in Warren Farm. In November 2018, the Supreme Court rejected the application by Hanwell Community Forum seeking permission to appeal the previous order made by the Court of Appeal, confirming that the granting of our planning permission was done appropriately. Further information regarding this issue is included in the Executive Chairman's Report.

25. Commitments

As at 31 May 2018, the Club was not committed to paying any signing on fees in respect of players (2017: £50,000).