



**QUEEN PRODUCTIONS
LIMITED AND ITS
SUBSIDIARY UNDERTAKINGS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 1997

Company No: 1226628

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997

Company registration number:

1226628

Registered office:

First floor
Green Garden House
15-22 St Christopher's Place
London
W1M 5HE

Directors:

B H May
J R Deacon
R M Taylor

Secretary:

R Lee
A Thompson

Solicitors:

Lee & Thompson
Green Garden House
15-22 St Christopher's Place
London
W1M 5HE

Auditors:

Grant Thornton
Registered auditors
Chartered accountants
London

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997

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QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 September 1997.

Principal activity

The group is principally engaged in the promotion of the various services and products of certain musicians.

Business review

The directors are satisfied with the financial results of the group for the year and expect the group to remain profitable in the future.

The group's profit for the year after taxation amounted to £2,745,800 (1996: £4,328,866) and the directors recommend dividends of £2,660,000 (1996: £4,930,000).

The company's profit for the year after taxation amounted to £2,798,374 (1996: £4,369,029) and the directors recommend dividends of £2,660,000 (1996: £4,930,000).

Directors

The directors in office at the end of the year are listed below. All served on the Board throughout the year. The beneficial interests of the directors and their families in the shares of the company at 1 October 1996 and 30 September 1997 were as follows:

	Ordinary shares of £1 each 1996 & 1997
B H May	25
J R Deacon	25
R M Taylor	25

Directors' responsibilities for the financial statements

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 of the profit or loss of the company for that period. 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 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 company will continue in business.

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable contributions

Donations to charitable organisations amounted to £32,500 (1996: £207,900).

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

R Taylor
Director
23 April 1998



REPORT OF THE AUDITORS TO THE MEMBERS OF

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

We have audited the financial statements on pages 4 to 17 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 1997 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON**

23 April 1998

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Basis of consolidation

The group financial statements consolidate those of the company and all its subsidiary undertakings. The financial statements of each company in the group have been prepared to 30 September 1997. All intra-group profits/transactions are eliminated on consolidation.

Goodwill arising on consolidation is eliminated from the financial statements by immediate write-off on acquisition against reserves.

Turnover

Turnover is the total amount received by the group in respect of production royalties and income arising from live performances.

Royalties are brought into account when they become due and payable or if received in the year by way of non-refundable advances on anticipated future royalties.

Interest

Bank interest is accounted for on a received basis.

Deferred expenditure

Deferred expenditure relates to recordings, film projects, game projects and associated costs incurred during the year, which are charged to the profit and loss account in the accounting period in which the recordings or film projects are made available for commercial exploitation.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets to their estimated residual value over their expected useful lives on the following bases.

Freehold buildings	2% straight line
Plant, fixtures, fittings and equipment	15% straight line

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

PRINCIPAL ACCOUNTING POLICIES

Investments

Fixed asset investments are stated at cost less amounts written off.

Deferred taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse, and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that it is expected to be recoverable.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1997

	Note	1997 £	1996 £
Turnover	1	14,815,068	22,320,356
Administration expenditure		<u>(10,897,289)</u>	<u>(15,957,472)</u>
Operating profit	1	3,917,779	6,362,884
Net interest		<u>99,307</u>	<u>137,918</u>
Profit on ordinary activities before taxation	1	4,017,086	6,500,802
Tax on profit on ordinary activities	3	<u>1,271,286</u>	<u>(2,171,936)</u>
Profit for the financial year	4	2,745,800	4,328,866
Dividends	5	<u>(2,660,000)</u>	<u>(4,930,000)</u>
Transferred to/(from) reserves	12	<u>85,800</u>	<u>(601,134)</u>

There were no recognised gains or losses other than the profit for the year.

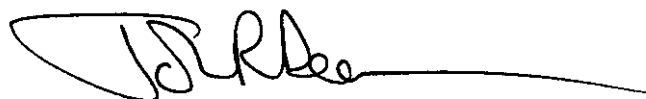
The accompanying accounting policies and notes form an integral part of these financial statements.

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	6		701		117,927
Current assets					
Debtors	8	2,016,402		4,755,094	
Cash at bank and in hand		<u>1,533,189</u>		<u>1,593,044</u>	
		3,549,591		6,348,138	
Creditors: amounts falling due within one year	9	<u>(2,610,365)</u>		<u>(5,611,936)</u>	
Net current assets			<u>939,226</u>		<u>736,202</u>
Total assets less current liabilities			<u>939,927</u>		<u>854,129</u>
Capital and reserves					
Called-up share capital	10		100		100
Profit and loss account	11		<u>939,829</u>		<u>854,029</u>
Shareholders' funds	12		<u>939,929</u>		<u>854,129</u>

The financial statements were approved by the board of directors on 23 April 1998


Director

The accompanying accounting policies and notes form an integral part of these financial statements

QUEEN PRODUCTIONS LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	6		701		117,927
Investments	7		<u>106</u>		<u>104</u>
			807		118,031
Current assets					
Debtors	8	2,005,560		4,169,885	
Cash at bank and in hand		<u>1,351,075</u>		<u>1,462,363</u>	
		3,356,635		5,632,248	
Creditors: amounts falling due within one year	9	<u>(2,394,126)</u>		<u>(4,925,337)</u>	
Net current assets			<u>962,509</u>		<u>706,911</u>
Total assets less current liabilities			<u>963,316</u>		<u>824,942</u>
Capital and reserves					
Called-up share capital	10		100		100
Profit and loss account	11		<u>963,216</u>		<u>824,842</u>
Shareholders' funds			<u>963,316</u>		<u>824,942</u>

The financial statements were approved by the board of directors on 23 April 1998



Director

The accompanying accounting policies and notes form an integral part of these financial statements

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 1997

	Note	1997	1996
		£	£
Net cash inflow from operating activities	13	5,858,245	5,644,818
Return on investments and servicing of finance			
Interest received		99,307	137,918
Taxation		(1,420,847)	(2,264,136)
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(825)	-
Receipts from sales of tangible fixed assets		<u>280,313</u>	<u>557</u>
		279,488	557
Equity dividends paid		<u>(2,600,000)</u>	<u>4,930,000</u>
Increase in cash		<u><u>2,156,193</u></u>	<u><u>(1,410,843)</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The analysis of turnover and profit before tax by geographical market has not been disclosed.

The turnover and profit before taxation are attributable to one activity: the promotion of the various services and products of certain musicians.

The profit on ordinary activities is stated after:

	1997 £	1996 £
Deposit account interest received	99,307	137,918
Auditors' remuneration		
- audit	20,000	19,286
- non audit services	35,076	83,440
Depreciation of owned fixed assets	124	9,114
Exchange (gains)/losses	29,515	(3,428)
Gift Aid	32,500	207,900
Profit arising from liquidation of subsidiary	-	(25,845)
Profit on disposal of tangible fixed assets	<u>162,388</u>	<u>(176)</u>

2 DIRECTORS AND EMPLOYEES

	1997 £	1996 £
Staff costs during the year were as follows:		
Wages and salaries	2,149,988	2,797,283
Social security costs	-	460
	<u>2,149,988</u>	<u>2,797,743</u>

The average number of employees of the group during the year was 4 (1996: 6). Staff costs include directors' remuneration as follows:

	1997 £	1996 £
Directors' fees	<u>1,339,896</u>	<u>1,110,537</u>

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997

The amounts set out below include remuneration of the highest paid director as follows:

	1997 £	1996 £
Fees	<u>448,464</u>	<u>497,241</u>

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	1997 £	1996 £
United Kingdom	1,258,086	2,144,412
Overseas taxation	300,262	626,940
Double taxation relief	(272,516)	(626,940)
Underprovision/(overprovision) for corporation tax in previous year	<u>14,546</u>	<u>27,524</u>
	<u>1,271,286</u>	<u>2,171,936</u>

United Kingdom corporation tax has been charged at rates varying from 24% to 33% (1996: 25% to 33%).

4 PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 230 of the companies Act 1985 and has not included its own profit and loss account in these financial statements. The group result for the year includes a profit of £2,798,374 (profit 1996: £4,369,029) which is dealt with in the financial statements of the company.

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997

5 DIVIDENDS

	1997 £	1996 £
Ordinary shares		
Interim dividends of:		
£8,000 per share paid 16.10.95		800,000
£2,000 per share paid 14.11.95		200,000
£2,000 per share paid 4.1.96		200,000
£2,000 per share paid 26.2.96		200,000
£3,200 per share paid 3.4.96		320,000
£3,000 per share paid 4.4.96		300,000
£16,500 per share paid 5.4.96		1,650,000
£6,000 per share paid 2.7.96		600,000
£2,400 per share paid 27.9.96		240,000
£4,200 per share paid 30.9.96		420,000
£2,000 per share paid 2.11.96	200,000	-
£4,000 per share paid 3.1.97	400,000	-
£2,000 per share paid 2.2.97	200,000	-
£5,800 per share paid 7.4.97	580,000	-
£2,000 per share paid 10.4.97	200,000	-
£2,000 per share paid 30.6.97	200,000	-
£4,000 per share paid 9.8.97	400,000	-
£2,600 per share paid 22.9.97	260,000	-
£2,200 per share paid 29.9.97	220,000	-
	<u>2,660,000</u>	<u>4,930,000</u>

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997

6 TANGIBLE FIXED ASSETS FOR THE GROUP AND COMPANY

	Total £	Freehold property £	Plant, fixtures, fittings & equipment £
Cost			
At 1 October 1996	564,970	172,854	392,116
Additions	825	-	825
Disposals	(454,348)	(62,232)	(392,116)
At 30 September 1997	<u>111,447</u>	<u>110,622</u>	<u>825</u>
Depreciation			
At 1 October 1996	447,043	58,768	388,275
Provided in the year	124	-	124
Released on disposals	(336,421)	51,854	(388,275)
At 30 September 1997	<u>110,746</u>	<u>110,622</u>	<u>124</u>
Net book amount at 30 September 1997	<u>701</u>	<u>-</u>	<u>701</u>
Net book amount at 30 September 1996	<u>117,927</u>	<u>114,086</u>	<u>3,841</u>

7 FIXED ASSET INVESTMENTS

At 30 September 1997 the group held more than 10% of the allotted share capital of the following which are registered in England and Wales except where otherwise stated:

Subsidiary undertakings	Class of share capital held	Proportion held by the group	Nature of business
Raincloud Productions Limited	Ordinary shares of £1 each	100%	Promotion of non-UK recordings of certain musicians
Queen Multimedia Limited	Ordinary shares of £1 each	100%	Exploitation of multimedia products
Q.M. Productions Limited	Ordinary shares of £1 each	100%	Dormant
Queen Theatrical Productions Limited	Ordinary shares of £1 each	100%	Dormant

All of the subsidiary undertakings have been consolidated in the group financial statements.

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997

8 DEBTORS

	1997	The group	1997	The company
	£	1996	£	1996
Due in less than one year	£	£	£	£
Trade debtors	1,152,916	3,685,953	918,100	3,060,817
Amounts owed by group undertakings	-	-	286,140	137,477
Other debtors	671,707	818,789	609,541	815,901
Prepayments and accrued income	23,570	-	23,570	-
Current taxation	107,614	150,440	107,614	107,614
Deferred expenditure	60,595	99,912	60,595	48,076
	<u>2,016,402</u>	<u>4,755,094</u>	<u>2,005,560</u>	<u>4,169,885</u>

Included in the above for the group is the following which is due after more than one year.

	1996	The group
	£	1996
	£	£
Deferred expenditure	-	51,836

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997	The group	1997	The company
	£	1996	£	1996
	£	£	£	£
Bank overdrafts	42,516	2,258,564	42,516	2,247,235
Directors' current accounts	2,281	-	2,281	4,941
Trade creditors	608,641	357,121	602,766	357,121
Amounts owed to group undertakings	-	-	217,609	153,828
Current taxation	560,092	752,479	560,092	574,120
Other creditors	197,760	289,278	165,123	271,094
Accruals	1,199,075	1,954,494	803,739	1,316,998
	<u>2,610,365</u>	<u>5,611,936</u>	<u>2,394,126</u>	<u>4,925,337</u>

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997

10 CALLED-UP SHARE CAPITAL

1997 & 1996
Authorised, allotted,
called-up and fully paid
£

100 ordinary shares of £1 each

100

11 PROFIT AND LOSS ACCOUNT

1997
£

1996
£

The group

At 1 October 1996

854,029

1,455,163

Profit/(loss) for the year

85,800

(601,134)

At 30 September 1997

939,829

854,029

The company

At 1 October 1996

824,842

1,385,813

Profit/(loss) for the year

138,374

(560,971)

At 30 September 1997

963,216

824,842

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

1997
£

1996
£

The group

Profit for the financial year

2,745,800

4,328,866

Dividends

(2,660,000)

(4,930,000)

Net increase/(decrease) in shareholders' funds

85,800

(601,134)

Shareholders' funds at 1 September 1996

854,129

1,455,263

Shareholders' funds at 30 September 1997

939,929

854,129

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997

13 NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £	1996 £
Operating profit	3,917,779	6,362,884
Depreciation	124	9,114
(Profit) on sale of fixed assets	(162,388)	(176)
(Increase)/decrease in debtors	2,695,866	(2,027,658)
Increase/(decrease) in creditors	(593,136)	1,300,654
Net cash inflow from operating activities	<u>5,858,245</u>	<u>5,644,818</u>

14 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1997 £	1996 £
Increase/(decrease) in cash in the period and change in net funds	2,156,193	(1,410,843)
Net debt at 1 October 1996	<u>(665,520)</u>	<u>745,323</u>
Net funds at 30 September 1997	<u>1,490,673</u>	<u>(665,520)</u>

15 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 October 1996 £	cashflow £	At 30 September 1997 £
Cash at bank and in hand	1,593,044	(59,855)	1,533,189
Bank overdrafts	<u>(2,258,564)</u>	<u>2,216,048</u>	<u>(42,516)</u>
	<u>665,520</u>	<u>2,156,193</u>	<u>1,490,673</u>

QUEEN PRODUCTIONS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1997

16 CAPITAL COMMITMENTS

Neither the group nor the company had any capital commitments at 30 September 1997 or 30 September 1996.

17 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 1997 or 30 September 1996.

18 TRANSACTIONS WITH DIRECTORS

During the year the company paid amounts to companies in which directors had a material interest as follows:

Director	Paid to	£
J Deacon	Goldfinch Productions Ltd	1,578,601
B May	Duck Productions Ltd	1,568,007
R Taylor	Nightjar Productions Ltd	<u>1,541,963</u>

19 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose transactions with group companies in view of all subsidiaries being wholly owned and consolidated.

THIS PAGE DOES NOT FORM PART OF THE STATUTORY FINANCIAL STATEMENTS