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QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1986



QUEEN PRODUCTIONS LIMITED
AND ITS SUBSIDIARIES

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QUEEN PRODUCTIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30th September 1986.

1. Principal activity

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

2. Results

The 1986 operating results were much as had been expected. The directors do not expect the overall result for 1987 to show a significant change.

There was a profit for the year after taxation amounting to £23,904 (1985 loss £18,340). The directors do not recommend payment of a dividend and the profit has therefore been retained.

3. 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 1st October 1985 and 30th September 1986 were as follows:

	<u>Ordinary shares of £1 each</u>
F. Mercury	25
B. H. May	25
J. R. Deacon	25
R. M. Taylor	25

4. Fixed assets

Movements of fixed assets are set out in note 7 to the financial statements. The principal item of capital expenditure in the year was musical equipment.

5. Tax status

The directors are of the opinion that the company is a close company within the provisions of the Income and Corporation Taxes Act 1970.

6. Auditors

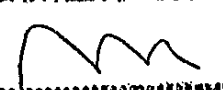
Grant Thornton offer themselves for reappointment as auditors in accordance with section 384(1) of the Companies Act 1985.

46 Pembridge Road
London W11 3HN

16 September 1987

BY ORDER OF THE BOARD

FOR AND ON BEHALF OF
BARTLETT NOMINEES


.....
DIRECTOR

REPORT OF THE AUDITORS TO THE MEMBERS OF

QUEEN PRODUCTIONS LIMITED

We have audited the financial statements on pages 3 to 16 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company and the group at 30th September 1986 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Grant Thornton

GRANT THORNTON

LONDON

16 September 1987

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH SEPTEMBER 1986

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the group are set out below. They have remained unchanged from the previous year apart from policy a) Basis of consolidation.

a) Basis of consolidation

The group financial statements consolidate those of the company and all its subsidiaries (see note 8).

In prior years only the financial statements of the company, Raincloud Productions Limited and Rushing Water Productions Limited were consolidated. The results of the other subsidiaries were not consolidated as the directors were then of the opinion that consolidated financial statements would be of no real value to the members of the company because of the insignificance of the amounts involved.

b) Turnover

Turnover is the total amount earned 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.

c) Interest

Bank interest is accounted for on a received basis.

d) Deferred expenditure

Deferred expenditure relates to recording and associated costs incurred during the year, which are charged to the profit and loss account in the accounting period in which the recordings are completed.

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1986

e) Depreciation

Depreciation is calculated to write down the cost of 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
Motor vehicles	25% reducing balance

f) Investments

Investments are stated at cost less amounts written off.

g) Stock

Stock is stated at the lower of cost and net realisable value. Net realisable value means estimated selling price less all further costs to be incurred in marketing, selling and distribution.

h) Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits or losses as computed for taxation purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise and not provided to the extent that it is probable that a liability or asset will not crystallise.

Deferred tax is calculated at the rate at which it is estimated that the tax/group relief will be paid (or recovered) when the timing differences reverse.

i) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Overseas tour income has been translated into sterling at the rates of exchange ruling at the dates of receipt.

Foreign currency payments have been translated into sterling at the rates applicable for the months in which payments are made. Realised differences arising from changes in exchange rates on capital or trading transactions are dealt with through the profit and loss account.

QUEEN PRODUCTIONS LIMITED
AND ITS SUBSIDIARIES
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

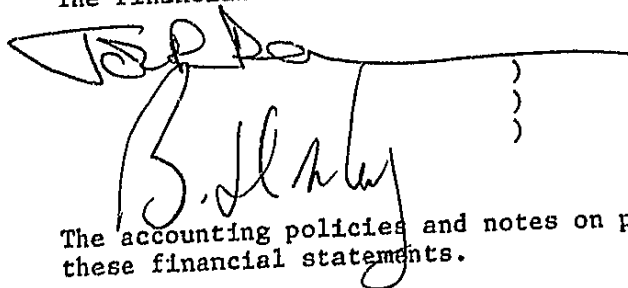
	<u>Note</u>	£	<u>1986</u>	£	£	<u>1985</u>	£
Turnover	1		8,399,142			6,536,655	
Performance expenditure		5,209,708			5,140,111		
Administration expenditure		3,239,091			1,483,622		
			<u>8,448,799</u>			<u>6,623,733</u>	
Operating loss			(49,657)			(87,078)	
Amount written off investments 8			(19,500)			(24,000)	
Interest receivable and similar income			215,138			181,467	
Interest payable and similar charges	2		(474)			(931)	
Profit on ordinary activities before taxation	1		145,507			69,458	
Tax on profit on ordinary activities	4		(121,603)			(87,798)	
Profit/(loss) for the financial year	5		<u>£23,904</u>			<u>£(18,340)</u>	
Statement of profits/(losses) 15							
By the company		£ 78,373			£(13,855)		
By the subsidiaries		£(54,469)			£ (4,485)		
Statement of retained profits							
Retained profit/(loss) for the year			23,904			(18,340)	
Retained reserves at 1st October 1985		1,004,391			1,030,382		
Prior year adjustment		64,795			57,144		
			<u>1,069,186</u>			<u>1,087,526</u>	
At 30th September 1986			<u>£1,093,090</u>			<u>£1,069,186</u>	

The accounting policies and notes on pages 3 and 4 and 10 to 16 form part of these financial statements.

QUEEN PRODUCTIONS LIMITED
AND ITS SUBSIDIARIES
GROUP BALANCE SHEET AT 30TH SEPTEMBER 1986

	<u>Note</u>	<u>1986</u>	<u>1985</u>
		£	£
Fixed assets			
Intangible assets	6	500	500
Tangible assets	7	234,631	207,453
Investments	8	19,645	39,145
		<u>254,776</u>	<u>247,098</u>
Current assets			
Stock	9	37,076	26,673
Debtors	10	990,292	1,097,467
Cash at bank and in hand		3,237,240	2,093,138
		<u>4,264,608</u>	<u>3,217,278</u>
Creditors: amounts falling due within one year	11	3,415,801	2,383,142
Net current assets		<u>848,807</u>	<u>834,136</u>
Total assets less current liabilities		<u>1,103,583</u>	<u>1,081,234</u>
Provision for liabilities and charges	12	10,393	11,948
		<u>£1,093,190</u>	<u>£1,069,286</u>
Capital and reserves			
Called-up share capital	14	100	100
Profit and loss account	15	1,093,090	1,069,186
		<u>£1,093,190</u>	<u>£1,069,286</u>

The financial statements were approved by the board of directors on 16 September 1987





DIRECTORS

The accounting policies and notes on pages 3 and 4 and 10 to 16 form part of these financial statements.

QUEEN PRODUCTIONS LIMITED
BALANCE SHEET AT 30TH SEPTEMBER 1986

	<u>Note</u>	£	<u>1986</u>	£	£	<u>1985</u>	£
Fixed assets							
Intangible assets	6			500			500
Tangible assets	7			234,326			207,019
Investments	8			33,697			53,197
				<u>268,523</u>			<u>260,716</u>
Current assets							
Stock	9	37,076			26,673		
Debtors	10	749,403			692,122		
Cash at bank and in hand		1,695,207			328,867		
		<u>2,481,686</u>			<u>1,047,662</u>		
Creditors: amounts falling due within one year	11	1,735,967			370,954		
Net current assets				745,719			676,708
Total assets less current liabilities				<u>1,014,242</u>			<u>937,424</u>
Provision for liabilities and charges	12			10,393			11,948
				<u>£1,003,849</u>			<u>£925,476</u>
Capital and reserves							
Called-up share capital	14			100			100
Profit and loss account	15			1,003,749			925,376
				<u>£1,003,849</u>			<u>£925,476</u>

The financial statements were approved by the board of directors on 16 September 1987

) DIRECTORS
)

The accounting policies and notes on pages 3 and 4 and 10 to 16 form part of these financial statements.

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30TH SEPTEMBER 1986

	£	<u>1986</u>	£	£	<u>1985</u>	£
Source of funds						
From operations						
Profit on ordinary activities before tax			145,507		69,458	
Adjustments for items not involving movements of funds:						
Depreciation	31,561			76,342		
Profit on sale of fixed assets	(4,380)			-		
Amount written off investments	19,500			24,000		
Consolidation of subsidiaries*	-			70,996		
		<u>46,681</u>			<u>171,338</u>	
		192,188			240,796	
From other sources						
Group relief	-			1,195		
Proceeds from disposal of tangible fixed assets	5,704			8,198		
Taxation recovered	-			38,840		
		<u>5,704</u>			<u>48,233</u>	
		197,892			289,029	
Application of funds						
Taxation paid	119,269			115,022		
Purchase of tangible fixed assets	60,063			23,631		
		<u>(179,332)</u>			<u>(138,653)</u>	
Net inflow of funds		<u>£18,560</u>			<u>£150,376</u>	

QUEEN PRODUCTIONS LIMITED
AND ITS SUBSIDIARIES
GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS (CONTINUED)
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

	<u>1986</u> £	<u>1985</u> £
Increases/(decreases) in working capital		
Stock	10,403	3,449
Debtors	(107,175)	241,346
Creditors: amounts falling due within one year	(1,139,871)	(115,544)
	<u>(1,236,643)</u>	<u>129,251</u>
Net liquid funds		
Bank balances and cash	1,255,203	21,125
Net increase in working capital	<u>£18,560</u>	<u>£150,376</u>

* Consolidation of subsidiaries

	<u>1985</u> £
Cost of investment	13,852
Reserves shown as prior year adjustment	57,144
	<u>£70,996</u>

This refers to the subsidiaries previously omitted from the consolidated financial statements.

QUEEN PRODUCTIONS LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

1. Turnover and profit on ordinary activities before taxation

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

The profit on ordinary activities is stated after:

	<u>1986</u> £	<u>1985</u> £
Establishment costs	139,363	39,645
Professional charges	422,291	414,697
Auditors' remuneration	13,463	7,000
Depreciation	31,561	76,342
Exchange (gain)/loss	(45,467)	113,160
Deed of covenant	20,122	20,000
	<u> </u>	<u> </u>

2. Interest payable and similar charges

	<u>1986</u>	<u>1985</u>
On bank loans and overdrafts		
repayable within 5 years	£474	£931
otherwise than by instalments	<u> </u>	<u> </u>

3. Directors and employees

Staff costs during the year	<u>1986</u> £	<u>1985</u> £
Wages and salaries	2,509,517	5,010,090
Social security	(26,782)	21,688
	<u>£2,482,735</u>	<u>£5,031,778</u>

The average number of employees of the company during the year was 12 (1985 12). Staff costs include directors' remuneration as follows:

Directors' fees	<u>£2,404,045</u>	<u>£4,892,707</u>
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The emoluments of the directors excluding pension contributions were:

The highest paid director	<u>£831,474</u>	<u>£2,849,940</u>
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QUEEN PRODUCTIONS LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

3. Directors and employees (continued)

	<u>1986</u> <u>Number</u>	<u>1985</u> <u>Number</u>
Other directors		
£470,001 to £475,000	1	-
£535,001 to £540,000	1	-
£560,001 to £565,000	1	-
£655,001 to £660,000	-	1
£670,001 to £675,000	-	1
£710,001 to £715,000	-	1

4. Tax on profit on ordinary activities

The tax charge is based on the profit for the year and is made up as follows:

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
United Kingdom corporation tax	(61,683)	(20,228)
Deferred taxation (note 12)	1,555	24,397
Overseas taxation	(61,638)	(95,123)
Overprovision for corporation tax in previous year	163	3,156
	<u>£(121,603)</u>	<u>£(87,798)</u>

United Kingdom corporation tax has been charged at rates varying from 29.5% to 37.5% (1985 30% to 50%).

5. Profit/(loss) for the financial year

The company has taken advantage of section 228 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 £78,373 (1985 loss £13,855) which is dealt with in the financial statements of the parent company.

6. Intangible fixed assets

The group and the company

Cost at 1st October 1985 and 30th September 1986

Trademarks

£500

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1986

7. Tangible fixed assets

The group

	<u>Total</u>	<u>Freehold</u>	<u>Plant, fixtures, fittings and equipment</u>	<u>Motor vehicle</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cost				
At 1st October 1985	740,464	172,854	560,376	7,234
Additions	60,063	-	60,063	-
Disposals	(13,540)	-	(6,307)	(7,233)
At 30th September 1986	£786,987	£172,854	£614,132	£ 1
Depreciation				
At 1st October 1985	533,011	20,741	506,361	5,909
Provided in the year	31,561	3,457	28,104	-
Disposals	(12,216)	-	(6,307)	(5,909)
At 30th September 1986	£552,356	£24,198	£528,158	£ -
Net book amount at 30th September 1986	£234,631	£148,656	£85,974	£ 1
Net book amount at 30th September 1985	£207,453	£152,113	£54,015	£1,325

The company

	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cost				
At 1st October 1985	740,030	172,854	559,943	7,233
Additions	60,063	-	60,063	-
Disposals	(13,540)	-	(6,307)	(7,233)
At 30th September 1986	£786,553	£172,854	£613,699	£ -
Depreciation				
At 1st October 1985	533,011	20,741	506,361	5,909
Provided in the year	31,432	3,457	27,975	-
Disposals	(12,216)	-	(6,307)	(5,909)
At 30th September 1986	£552,227	£24,198	£528,029	£ -
Net book amount at 30th September 1986	£234,326	£148,656	£85,670	£ -
Net book amount at 30th September 1985	£207,019	£152,113	£53,582	£1,324

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1986

8. Fixed asset investments

	<u>The group</u>		<u>The company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Purchase of royalty and contractual rights	196,289	196,289	196,289	196,289
Amounts written off				
At 1st October 1985	(157,144)	(133,144)	(157,144)	(133,144)
Provided in the year	(19,500)	(24,000)	(19,500)	(24,000)
At 30th September 1986	19,645	39,145	19,645	39,145
Investment in subsidiaries: shares at cost	-	-	14,052	14,052
	<u>£19,645</u>	<u>£39,145</u>	<u>£33,697</u>	<u>£53,197</u>

The following companies are subsidiaries of Queen Productions Limited.

	<u>Class of capital</u>	<u>Total issued capital</u>	<u>% of share capital owned</u>
Raincloud Productions Limited	Ordinary shares of £1 each	100	100
Mountain Studios (Montreux) Limited	Ordinary shares of £1 each	100	100
Mountain Studios S.A. (incorporated in Switzerland)	Shares of Sw. fr. 100 each	50,000	100
Leach Productions Limited)		100	100
Queen Films Limited)	Ordinary shares	2	100
Rushing Water Productions Limited)	of £1 each	100	100
Leach Productions Limited is presently a dormant company			

9. Stock	<u>1986</u>	<u>1985</u>
The group and the company Goods for resale	<u>£37,076</u>	<u>£26,673</u>

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1986

10. Debtors: amounts falling due within one year

	<u>The group</u>		<u>The company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£	£	£	£
Trade debtors	353,051	703,756	216,986	53,343
Amounts owed by group companies	-	-	51,254	506,129
Amounts owed by affiliated companies	245,886	102,760	244,774	102,433
Other debtors	265,053	22,424	196,170	15,399
Prepayments and accrued income	126,302	268,527	40,219	14,818
	<u>£990,292</u>	<u>£1,097,467</u>	<u>£749,403</u>	<u>£692,122</u>

11. Creditors: amounts falling due within one year

	<u>The group</u>		<u>The company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£	£	£	£
Bank overdraft	90,650	201,751	74,788	-
Directors' current accounts	863,146	1,236,219	-	118,360
Trade creditors	253,510	66,333	170,819	31,252
Amounts owed to group companies	-	-	179,531	58,192
Amounts owed to affiliated companies	923,688	8,964	910,827	4,416
Current taxation	47,948	46,583	2,245	40,997
Social security and other taxes	763,317	637,394	3,665	1,026
Other creditors	101,661	156,739	48,017	24,920
Accruals	371,881	29,159	346,075	91,791
	<u>£3,415,801</u>	<u>£2,383,142</u>	<u>£1,735,967</u>	<u>£370,954</u>

The directors' current accounts owed by Raincloud Productions Limited are secured by a floating charge on all property, present and future, belonging to that company.

QUEEN PRODUCTIONS LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

12. Provision for liabilities and charges

	Deferred taxation (note 13)
The group and the company	£
At 1st October 1985	11,948
Utilised during the year (note 4)	(1,555)
	<hr/>
At 30th September 1986	£10,393
	<hr/> <hr/>

13. Deferred taxation

	The group and the company	
	<u>1986</u>	<u>1985</u>
	£	£
Accelerated capital allowances	15,122	15,573
Other timing differences	(4,729)	(3,625)
	<hr/>	<hr/>
	£10,393	£11,948
	<hr/> <hr/>	<hr/> <hr/>

14. Called-up share capital

	<u>1986 and 1985</u> Authorised, allotted, called-up and fully paid
Ordinary shares of £1 each	£100
	<hr/> <hr/>

15. Profit and loss account

The company	£
At 1st October 1985	925,376
Profit for the year	78,373
	<hr/>
At 30th September 1986	£1,003,749
	<hr/> <hr/>

QUEEN PRODUCTIONS LIMITED
AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

16. Capital commitments

Neither the group nor the company had any capital commitments at 30th September 1986 or 30th September 1985.

17. Contingent liabilities

The group

In the financial statements for the year ended 30th September 1985 it was noted that discussions were in progress in relation to certain fiscal matters, but the situation has now been resolved satisfactorily.

There were no contingent liabilities at 30th September 1986.

The company had no contingent liabilities at 30th September 1986 or 30th September 1985.