

**QUEEN PRODUCTIONS
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 1998



Company no 1226628

QUEEN PRODUCTIONS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 1998

Company registration number: 1226628

Registered office: First Floor
Green Garden House
15 - 22 St Christopher's Place
London
W1M 5WE

Directors: Mr B H May
Mr R M Taylor
Mr J R Deacon
Mr R W Lee

Secretary: Mr R Lee
Mr A Thompson

Auditors: Grant Thornton
Registered auditors
Chartered accountants
London

QUEEN PRODUCTIONS LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 1998

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QUEEN PRODUCTIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 September 1998.

Principal activities

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

Business review

There was a profit for the year after taxation amounting to £832,594. The directors recommend payment of dividends of £720,000.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors and their families in the shares of the company as at 30 September 1998 and 1 October 1997, or the date of their appointment to the Board if later, were as follows:

	Ordinary shares	
	30 September 1998	1 October 1997
Mr B H May	25	25
Mr R M Taylor	25	25
Mr J R Deacon	25	25

Charitable and political contributions

Donations to charitable organisations amounted to £17,000 (1997: £32,500).

Year 2000 Compliance

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of our customers and suppliers.

The company has reviewed its computer systems for the impact of the year 2000 date change. An impact analysis has been prepared to identify the major risks and action plans which have been developed to address these in advance of critical dates. The plans give priority to the systems which could have a significant financial or legal impact if they were to fail. The company satisfied that its principal customers are taking adequate steps to protect their position and it is not envisaged that the Year 2000 issue will affect the company's ability to trade in the future.

The issue is complex and no business can guarantee that there will be no Year 2000 problems. However, the board believes that its plans and the resources allocated are appropriate and adequate to address the issue.

QUEEN PRODUCTIONS LIMITED

REPORT OF THE DIRECTORS

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.

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.

Auditors

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

ON BEHALF OF THE BOARD



Director

30 April 1999

**REPORT OF THE AUDITORS TO THE MEMBERS OF
QUEEN PRODUCTIONS LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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 the company's affairs as at 30 September 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON**

30 April 1999

QUEEN PRODUCTIONS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The company is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiaries, it qualifies as a medium-sized group under section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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

TURNOVER

Turnover is the total amount receivable by the company 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.

DEPRECIATION

Depreciation is calculated to write down the cost of plant and machinery to its residual value over its expected useful life at a rate of 15% straight line.

INVESTMENTS

Investments are included at cost less amounts written off.

DEFERRED TAXATION

Deferred tax is provided 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 they are 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.

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.

QUEEN PRODUCTIONS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 30 September 1998

	Note	1998 £	1997 £
Turnover	1	3,388,559	14,327,559
Distribution costs		(870,446)	(3,449,997)
Administrative expenses		(1,493,278)	(7,083,206)
Operating profit		1,024,835	3,794,356
Exceptional items			
Profit on sale of fixed assets		-	162,388
Other interest receivable and similar income		94,084	88,009
Profit on ordinary activities before taxation	1	1,118,919	4,044,753
Tax on profit on ordinary activities	3	(286,325)	(1,246,379)
Profit for the financial year		832,594	2,798,374
Dividends	4		
Equity dividends paid		(720,000)	(2,660,000)
Profit transferred to reserves		112,594	138,374

STATEMENT OF RETAINED EARNINGS

	1998 £	1997 £
At 1 October 1997	963,216	824,842
Retained profit for the year	112,594	138,374
At 30 September 1998	1,075,810	963,216

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

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

QUEEN PRODUCTIONS LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1998

	Note	1998 £	1998 £	1997 £	1997 £
Fixed assets					
Tangible assets	5		1,141		701
Investments	6		106		106
			<u>1,247</u>		<u>807</u>
Current assets					
Debtors	7	1,543,414		2,005,560	
Cash at bank and in hand		1,070,198		1,351,075	
		<u>2,613,612</u>		<u>3,356,635</u>	
Creditors: amounts falling due within one year	8	(1,538,949)		(2,394,126)	
Net current assets			<u>1,074,663</u>		<u>962,509</u>
Total assets less current liabilities			<u>1,075,910</u>		<u>963,316</u>
Capital and reserves					
Called up share capital	9		100		100
Profit and loss account			1,075,810		963,216
Shareholders' funds			<u>1,075,910</u>		<u>963,316</u>

The financial statements were approved by the Board of Directors on 30 April 1999



Director

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

QUEEN PRODUCTIONS LIMITED**CASH FLOW STATEMENT**

For the year ended 30 September 1998

	Note	1998 £	1997 £
Net cash inflow from operating activities	12	627,000	5,647,720
Returns on investments and servicing of finance			
Interest received		94,084	88,009
Dividends paid		(720,000)	(2,660,000)
Net cash outflow from returns on investments and servicing of finance		(625,916)	(2,571,991)
Taxation		(645,421)	(1,260,407)
Investing activities			
Purchase of tangible fixed assets		(663)	(825)
Purchase of investments		-	(2)
Sale of tangible fixed assets		-	280,315
Net cash outflow from investing activities		(663)	279,488
Net cash outflow before financing		(645,000)	2,094,810
Financing			
Repayment of borrowings		31,396	(2,660)
Decrease in cash and cash equivalents	10	(613,604)	2,092,150

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

QUEEN PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1998

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover is attributable to the principal activities of the company.

The profit on ordinary activities is stated after:

	1998	1997
	£	£
Auditors' remuneration:		
Audit services	22,500	18,500
Non-audit services	19,950	35,076
Depreciation and amortisation:		
Tangible fixed assets, owned	223	124
Gift Aid	17,000	32,500
Exchange loss	24,314	29,515

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1998	1997
	£	£
Wages and salaries	-	309

The directors were the only employees of the company during the year (1997: 3).

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	1998	1997
	£	£
UK Corporation tax at 31% (1997: 33%)	323,552	1,242,880
Overseas tax	226,999	260,809
Double taxation relief	(220,000)	(257,310)
	330,551	1,246,379
Adjustments in respect of prior periods	(44,226)	-
	286,325	1,246,379

4 DIVIDENDS

	1998	1997
	£	£
Ordinary shares		
Interim dividend of £7,200 per share (1997: £26,600)	720,000	2,660,000

QUEEN PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1998

5 TANGIBLE FIXED ASSETS

	Plant and machinery £
Cost	
At 1 October 1997	825
Additions	663
At 30 September 1998	1,488
Depreciation	
At 1 October 1997	124
Provided in the year	223
At 30 September 1998	347
Net book amount at 30 September 1998	1,141
Net book amount at 30 September 1997	701

6 FIXED ASSETS INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 October 1997 and 30 September 1998	106

QUEEN PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1998

At 30 September 1998 the company held more than 20% of the allotted share capital of the following undertakings:

	Country of incorporation /registration	Class of share capital held	Proportion held	Nature of business	Capital and reserves £	Profit/(loss) for the financial year £
Raincloud Productions Limited	England & Wales	Ordinary shares of £1 each	100%	Promotion of non-UK recordings of certain musicians	£27,194	(£12,687)
Queen Multimedia Limited	England & Wales	Ordinary shares of £1 each	100%	Dormant	(£91,354)	(£30,958)
Q.M. Productions Limited	England & Wales	Ordinary shares of £1 each	100%	Dormant	(£2,768)	nil
Queen Theatrical Productions Limited	England & Wales	Ordinary shares of £1 each	100%	Dormant	£2	nil

7 DEBTORS

	1998 £	1997 £
Trade debtors	867,913	918,100
Amounts owed by subsidiary undertakings	358,497	286,140
Amounts owed by undertakings in which the company has a participating interest	10,188	-
Deferred expenditure	100,429	60,595
Other debtors	119,769	609,541
Taxation recoverable	86,618	107,614
Prepayments and accrued income	-	23,570
	<u>1,543,414</u>	<u>2,005,560</u>

QUEEN PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1998

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank loans and overdrafts	375,243	42,516
Trade creditors	89,889	162,141
Amounts owed to group undertakings	-	217,609
Amounts owed to related undertakings	432,771	440,625
Corporation tax	180,000	560,092
Other creditors	169,022	165,123
Loans from directors	33,677	2,281
Accruals and deferred income	258,347	803,739
	<u>1,538,949</u>	<u>2,394,126</u>

9 SHARE CAPITAL

	1998 £	1997 £
Authorised, allotted, called-up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

10 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1998 £	1997 £
At 1 October 1997	1,308,559	(784,872)
Net cash outflow	(613,604)	2,093,431
At 30 September 1998	<u>694,955</u>	<u>1,308,559</u>

11 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1998 £	1997 £
Decrease in cash in the year	(548,947)	2,497,957
Cash inflow from financing in the year	(31,396)	2,660
Cash inflow from decrease in liquid resources	(64,657)	(404,526)
Change in net debt resulting from cashflows	<u>(645,000)</u>	<u>2,096,091</u>
Net funds at 1 October 1997	1,306,278	(789,813)
Net funds at 30 September 1998	<u>661,278</u>	<u>1,306,278</u>

QUEEN PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 1998

12 NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £	1997 £
Operating profit	1,024,835	3,794,356
Depreciation	223	124
Decrease in debtors	441,150	2,097,046
Decrease in creditors	(839,208)	(243,806)
Net cash inflow from continuing operating activities	627,000	5,647,720

13 CAPITAL COMMITMENTS

The company had no capital commitments at 30 September 1998 or 30 September 1997.

14 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 1998 or 30 September 1997.

16 RELATED PARTY TRANSACTIONS

The directors consider Raincloud Productions Limited, QM Productions Limited and Queen Multimedia Limited to be related parties by virtue of Queen Productions Limited having direct control over them. During the year the company paid amounts as follows:

Company	Paid in 1998	Balance 1998	Paid in 1997	Balance 1997
Raincloud Productions Ltd	£358,840	£69,685	£1,761,522	(£217,613)
QM Productions Ltd	£nil	£2,765	£nil	£2,765
Queen Multimedia Ltd	£nil	£286,047	£nil	£286,030

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

Company	Paid in 1998	Balance 1998	Paid in 1997	Balance 1997
Goldfinch Productions Limited	£282,003	(£146,448)	1,578,601	(£146,875)
Duck Productions Limited	£278,065	(£140,825)	1,568,007	(£146,875)
Nightjar Productions Limited	£284,951	(£142,407)	1,541,963	(£147,378)