

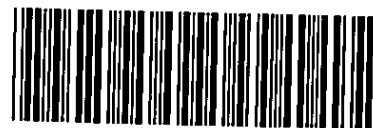


Grant Thornton

Financial statements Queen Productions Limited

For the Year Ended 30 September 2008

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Company No. 1226628

Company information

Company registration number	1226628
Registered office	First Floor Greengarden House 15 - 22 St Christopher's Place London W1U 1NL
Directors	B H May R M Taylor J R Deacon
Secretary	R W Lee A J Thompson
Solicitors	Lee & Thompson Greengarden House 15 - 22 St Christopher's Place London W1U 1NL
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Churchill House Chalvey Road East Slough Berkshire SL1 2LS

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 September 2008.

Principal activities and business review

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

In assessing the performance of the company, the directors consider that success falls to be determined in light of the level of sales of product from which the company derives its income and hence the company's key performance indicator is considered to be the level of royalty income. The directors consider that the level of royalty income remains satisfactory and hence on this criterion they consider that the company had a successful year.

The directors anticipate that in the future there will be a steady demand for product featuring recordings etc made by the company but given that prices continue to fall in the marketplace it would be unrealistic to assume that there will be any significant growth in turnover therefrom, in the immediate future.

Results and dividends

The profit for the year, after taxation, amounted to £2,737,725 (2007: £2,711,981). Particulars of dividends paid are detailed in note 7 to the financial statements.

Financial risk management objectives and policies

The company uses a variety of financial instruments including cash deposits and net trade debtors arising from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations. Given the nature of the company's operations and the financial instruments in existence the company is exposed to very limited credit, liquidity or interest rate risk. The company is, at times, exposed to some currency risk which it accepts as an attendant feature arising from the extent to which the company's income is derived from outside the UK.

Directors

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

B H May
R M Taylor
J R Deacon

Directors' responsibilities

The directors are responsible for preparing the Report of the directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these 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;
- 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company'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.

Donations

Donations to charitable organisations amounted to £15,500 (2007: £19,050).

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

On behalf of The Board

Director

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Report of the independent auditor to the members of Queen Productions Limited

We have audited the financial statements of Queen Productions Limited for the year ended 30 September 2008 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

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



Report of the independent auditor to the members of Queen Productions Limited (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the directors is consistent with the financial statements.

A handwritten signature in black ink, appearing to read "Grant Thornton UK LLP", written over a horizontal line.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London Thames Valley Office
Slough

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15 July 2009

Principal accounting policies

Basis of accounting

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 have remained unchanged from the previous year, and are set out below. The directors have reviewed the accounting policies and consider them to remain the most appropriate.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business for royalties, production, performance and concession fees.

Royalties are brought into account when they become due and payable. Non-refundable advances on anticipated future royalties are brought into account on receipt where the company has no future obligations or, if earlier, on the delivery of the product to which advances relate.

Turnover in respect of production, performance and concession fees is recognised over the period in which it is earned.

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:

Plant & Machinery	-	15% - 33%
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Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Investments

Investments are included at cost less amounts written off.

Income from investments

Investment income comprises dividends from investments in group undertakings.

Interest

Bank interest is accounted for on a receivable basis.

Deferred expenditure

Deferred expenditure relates to recordings, film projects, theatrical projects and associated costs, which are charged to the profit and loss account in the accounting period in which the recordings or projects are made available for commercial exploitation or on the expenditure becoming commercially valueless.

Profit and loss account

	Note	2008 £	2007 £
Turnover	1	6,376,866	7,054,647
Cost of sales		561,492	682,894
Gross profit		5,815,374	6,371,753
Other operating charges	2	4,210,713	4,758,692
Operating profit	3	1,604,661	1,613,061
Income from fixed asset investments	5	1,480,000	1,546,750
Interest receivable		144,660	98,709
Profit on ordinary activities before taxation		3,229,321	3,258,520
Tax on profit on ordinary activities	6	491,596	546,539
Profit for the financial year	15	2,737,725	2,711,981

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

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	8	–	30,645
Investments	9	106	106
		<u>106</u>	<u>30,751</u>
Current assets			
Debtors	10	3,657,731	1,981,469
Cash at bank		1,740,899	2,623,305
		<u>5,398,630</u>	<u>4,604,774</u>
Creditors: amounts falling due within one year	11	3,424,575	2,789,089
Net current assets		<u>1,974,055</u>	<u>1,815,685</u>
Total assets less current liabilities		<u>1,974,161</u>	<u>1,846,436</u>
Capital and reserves			
Called-up equity share capital	14	100	100
Profit and loss account	15	1,974,061	1,846,336
Shareholders' funds	16	<u>1,974,161</u>	<u>1,846,436</u>

These financial statements were approved by the directors and authorised for issue on 15.7.09, and are signed on their behalf by:

Director



Cash flow statement

	Note	2008 £	2007 £
Net cash inflow from operating activities	17	1,285,167	1,696,762
Returns on investments and servicing of finance			
Income from other fixed asset investments		1,480,000	1,546,750
Interest received		144,660	98,709
Net cash inflow from returns on investments and servicing of finance		1,624,660	1,645,459
Taxation		(522,121)	(338,908)
Capital expenditure			
Payments to acquire tangible fixed assets		—	(9,068)
Net cash outflow from capital expenditure		—	(9,068)
Equity dividends paid		(2,610,000)	(2,986,000)
(Decrease)/increase in cash	18	<u>(222,294)</u>	<u>8,245</u>

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

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the promotion of various services and products of certain musicians. Given the nature of the company's activities any analysis of turnover between different geographical markets is impracticable to determine and would in any case be of little meaning or relevance.

2 Other operating charges

	2008	2007
	£	£
Administrative expenses	<u>4,210,713</u>	<u>4,758,692</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2008	2007
	£	£
Depreciation of owned fixed assets	30,645	38,396
Auditor's remuneration:		
Audit fees	9,300	7,345
Net (profit)/loss on foreign currency translation	<u>(50,719)</u>	<u>35,286</u>

4 Directors and employees

The aggregate payroll costs of the above were:

	2008	2007
	£	£
Wages and salaries	146,587	144,605
Social security costs	—	—
	<u>146,587</u>	<u>144,605</u>

The directors are the sole employees of the company and receive no emoluments from it. The salary payments made are in respect of a deceased ex-director.

5 Income from fixed asset investments

	2008	2007
	£	£
Income from subsidiary undertakings	<u>1,480,000</u>	<u>1,546,750</u>

6 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2008 £	2007 £
Current tax:		
UK Taxation		
UK Corporation tax based on the results for the year at 29% (2007 - 30%)	549,876	549,688
Over provision in prior year	(58,404)	(3,461)
	<u>491,472</u>	<u>546,227</u>
Double taxation relief	(127,287)	(118,850)
	<u>364,185</u>	<u>427,377</u>
Foreign tax		
Current tax on income for the year	127,411	119,162
Total current tax	<u>491,596</u>	<u>546,539</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 29% (2007 - 30%).

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>3,229,321</u>	<u>3,258,520</u>
Profit on ordinary activities by rate of tax	929,641	977,556
Income not assessable for corporation tax purposes	(432,100)	(464,025)
Expenses not allowable for corporation tax purposes	3,210	5,000
Depreciation in excess of/(lower than) capital allowances	187	(831)
Other differences	49,062	32,300
Adjustments to tax charge in respect of previous periods	(58,404)	(3,461)
Total current tax (note 6(a))	<u>491,596</u>	<u>546,539</u>

7

Dividends

Dividends on shares classed as equity

	2008 £	2007 £
Paid during the year:		
Equity dividends on ordinary shares	<u>2,610,000</u>	<u>2,986,000</u>

8 Tangible fixed assets

	Plant & Machinery
	£
Cost	
At 1 October 2007 and 30 September 2008	679,270
Depreciation	
At 1 October 2007	648,625
Charge for the year	30,645
At 30 September 2008	679,270
Net book value	
At 30 September 2008	—
At 30 September 2007	30,645

9 Investments

Shares in group undertakings

	£
Cost	
At 1 October 2007 and 30 September 2008	106
Net book value	
At 30 September 2008	106
At 30 September 2007	106

At 30 September 2008 the company owned 100% of the issued ordinary share capital of the companies listed below:

	Capital and reserves	Profit for the financial year
	£	£
Queen Touring Limited	771,066	807,110
Raincloud Productions Limited	75,944	38,361
We Will Rock You Limited	523,345	739,256
We Will Rock You (Overseas) Limited	232,660	100,292
Queen Theatrical Productions Limited	443,484	583,660
Queen Films Limited	(2,768)	—
Queen Online Limited	1	—

All of the above companies are registered in England & Wales.

Raincloud Productions Limited is involved in the promotion of non-UK compositions of certain musicians. Queen Touring Limited is involved in the production of concert tours. Queen Theatrical Productions Limited is involved in the production of musicals, We Will Rock You Limited is involved in the licensing of musicals and We Will Rock You Overseas Limited is involved in the hiring of theatrical equipment to independent parties. Queen Films Limited and Queen Online Limited are dormant.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

10 Debtors

	2008	2007
	£	£
Trade debtors	1,160,803	1,193,768
Amounts owed by group and related undertakings	2,084,644	562,821
Other debtors	361,852	178,090
Prepayments and accrued income	50,432	46,790
	<u>3,657,731</u>	<u>1,981,469</u>

11 Creditors: amounts falling due within one year

	2008	2007
	£	£
Overdrafts	30,554	690,666
Trade creditors	200,932	44,236
Amounts owed to group and related undertakings	1,777,365	362,690
Corporation tax	90,695	248,629
Other taxation and social security	8,096	51,580
Other creditors	21,640	41,777
Directors' current accounts	31,860	37,459
Accruals and deferred income	1,263,433	1,312,052
	<u>3,424,575</u>	<u>2,789,089</u>

12 Contingent liabilities

There were no contingent liabilities at 30 September 2008 or 30 September 2007.

13 Related party transactions

The related undertakings below are related by virtue of common directorship and shareholdings.

Details of transactions and balances with group and related undertakings during and at the end of the year are as follows:

	Sales to/ (Purchases from)		Balance due from/(to)	
	2008	2007	2008	2007
	£	£	£	£
Group undertakings				
Raincloud Productions Limited	–	–	247,855	265,650
Queen Theatrical Productions Limited	519,298	410,796	(899,696)	224,744
Queen Touring Limited	–	–	1,809,859	70,472
We Will Rock You Limited	230,171	149,550	(429,061)	(347,706)
We Will Rock You Overseas Limited	–	–	(16,320)	(14,089)
	<u>749,469</u>	<u>560,346</u>	<u>712,637</u>	<u>199,071</u>
Related undertakings				
Goldfinch Productions Limited	(761,902)	(764,912)	(150,179)	–
Duck Productions Limited	(991,046)	(965,950)	(111,086)	–
Nightjar Productions Limited	(1,057,878)	(926,538)	(144,810)	(890)
Queen Music Limited	–	–	717	1,950
	<u>(2,810,826)</u>	<u>(2,657,400)</u>	<u>(405,358)</u>	<u>1,060</u>

13 Related party transactions (continued)

During the year royalties of £24,153 were payable by the company to each of the directors and the following balances were owed to the directors at the year end:

	2008 £	2007 £
B H May	10,585	14,390
R M Taylor	5,733	4,559
J R Deacon	15,542	18,510
	<u>31,860</u>	<u>37,459</u>

14 Share capital

Authorised share capital:

	2008 £	2007 £
25 A ordinary shares of £1 each	25	25
25 B ordinary shares of £1 each	25	25
25 C ordinary shares of £1 each	25	25
25 D ordinary shares of £1 each	25	25
	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
A ordinary shares of £1 each	25	25	25	25
B ordinary shares of £1 each	25	25	25	25
C ordinary shares of £1 each	25	25	25	25
D ordinary shares of £1 each	25	25	25	25
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The different classes of share carry equal rights except that the holders can receive dividends at differing rates with the unanimous agreement of all shareholders.

15 Profit and loss account

	2008 £	2007 £
Balance brought forward	1,846,336	2,120,355
Profit for the financial year	2,737,725	2,711,981
Equity dividends	(2,610,000)	(2,986,000)
Balance carried forward	<u>1,974,061</u>	<u>1,846,336</u>

16 Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Profit for the financial year	2,737,725	2,711,981
Equity dividends	(2,610,000)	(2,986,000)
Net addition/(reduction) to shareholders' funds	127,725	(274,019)
Opening shareholders' funds	1,846,436	2,120,455
Closing shareholders' funds	1,974,161	1,846,436

17 Reconciliation of operating profit to net cash inflow from operating activities

	2008	2007
	£	£
Operating profit	1,604,661	1,613,061
Depreciation	30,645	38,396
(Increase)/decrease in debtors	(1,803,673)	614,473
Increase/(decrease) in creditors	1,453,534	(569,168)
Net cash inflow from operating activities	1,285,167	1,696,762

18 Reconciliation of net cash flow to movement in net funds

	2008	2007
	£	£
(Decrease)/Increase in cash in the period	(222,294)	8,245
Movement in net funds in the period	(222,294)	8,245
Net funds at 1 October 2007	1,932,639	1,924,394
Net funds at 30 September 2008	1,710,345	1,932,639

19 Analysis of changes in net funds

	At 1 Oct 2007	Cash flows	At 30 Sep 2008
	£	£	£
Net cash:			
Cash in hand and at bank	2,623,305	(882,406)	1,740,899
Overdrafts	(690,666)	660,112	(30,554)
	1,932,639	(222,294)	1,710,345
Net funds	1,932,639	(222,294)	1,710,345