

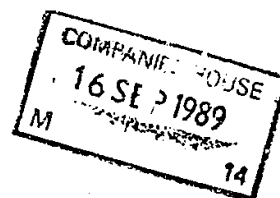
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QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1988



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 1988.

1. Principal activity

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

2. Results and dividend

The 1988 operating results were much as had been expected. The directors do not expect the overall result for 1989 to show a significant change.

There was a profit for the year after taxation amounting to £135,281 (1987 £212,684). The directors recommend a dividend absorbing £130,000 leaving £5,281 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 1987 and 30th September 1988 were as follows:

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

4. Fixed assets

Movements of tangible fixed assets are set out in note 8 to the financial statements. The principal item of capital expenditure in the year was musical equipment.

5. Tax status

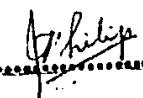
The directors are of the opinion that the company is a close company within the provisions of section 414 of the Income and Corporation Taxes Act 1988.

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

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 15 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 1988 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

14th September 1989

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH SEPTEMBER 1988

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

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

a) Basis of consolidation

The group financial statements consolidate those of the company and all its subsidiaries (see note 9). The financial statements of each company in the group have been prepared to 30th September 1988. All intra-group profits are eliminated on consolidation.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair value of the net assets of subsidiaries at the date of acquisition, is eliminated from the financial statements by immediate write-off on acquisition against reserves.

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.

e) 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
Motor vehicles	25% reducing balance

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1988

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

Deferred tax is calculated on 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 1988

	<u>Note</u>	<u>1988</u>	<u>1987</u>
		£	£
Turnover	1	2,306,687	4,316,908
Performance expenditure		1,428,834	2,169,549
Administration expenditure		764,526	2,007,257
		<u>(2,193,360)</u>	<u>(4,176,806)</u>
Operating profit		113,327	140,102
Interest receivable and similar income		131,818	230,264
Interest payable and similar charges	2	(157)	(214)
Profit on ordinary activities before taxation	1	244,988	370,152
Tax on profit on ordinary activities	4	(109,707)	(157,468)
Profit for the financial year	5	135,281	212,684
Dividend	6	(130,000)	(200,000)
Profit retained		<u>£5,281</u>	<u>£12,684</u>
Statement of profits/(losses) 16			
By the company		£17,135	£(12,551)
By the subsidiaries		<u>£(11,854)</u>	<u>£ 25,235</u>
Statement of group retained profits			
At 1st October 1987		1,105,774	1,093,090
Retained profit for the year		5,281	12,684
At 30th September 1988		<u>£1,111,055</u>	<u>£1,105,774</u>

The accounting policies and notes on pages 3 and 4 and 9 to 15 form part of these financial statements.

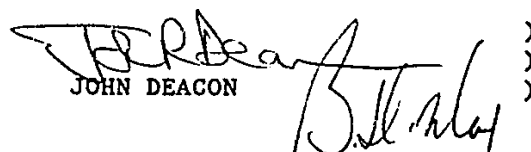
QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

GROUP BALANCE SHEET AT 30TH SEPTEMBER 1988

	<u>Note</u>	<u>1988</u>	<u>1987</u>
		£	£
Fixed assets			
Intangible assets	7	500	500
Tangible assets	8	211,497	229,654
Investments	9	19,645	19,645
		<u>231,642</u>	<u>249,799</u>
Current assets			
Stock	10	44,788	44,784
Debtors	11	948,860	1,033,908
Cash at bank and in hand		752,303	1,714,834
		<u>1,745,951</u>	<u>2,793,526</u>
Creditors: amounts falling due within one year	12	(866,438)	(1,936,225)
Net current assets		<u>879,513</u>	<u>857,301</u>
Total assets less current liabilities		<u>1,111,155</u>	<u>1,107,100</u>
Provision for liabilities and charges	13	-	(1,226)
		<u>£1,111,155</u>	<u>£1,105,874</u>
Capital and reserves			
Called-up share capital	15	100	100
Profit and loss account		1,111,055	1,105,774
		<u>£1,111,155</u>	<u>£1,105,874</u>

The financial statements were approved by the board of directors on 14th September 1989


) DIRECTORS
 JOHN DEACON

The accounting policies and notes on pages 3 and 4 and 9 to 15 form part of these financial statements

BALANCE SHEET AT 30TH SEPTEMBER 1988

The financial statements were approved by the board of directors on

DIRECTORS

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QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30TH SEPTEMBER 1988

	<u>1988</u>		<u>1987</u>
	£	£	£
Source of funds			
From operations			
Profit on ordinary activities before tax		244,988	370,152
Adjustments for items not involving movements of funds:			
Depreciation	27,820		26,987
Profit on sale of fixed assets	-		(1,110)
	<u>27,820</u>		<u>25,877</u>
		272,808	396,029
From other sources			
Proceeds from disposal of tangible fixed assets		-	1,110
		<u>272,808</u>	<u>397,139</u>
Application of funds			
Dividends paid	330,000		-
Taxation paid	238,730		150,509
Purchase of tangible fixed assets	9,663		22,010
		<u>(578,393)</u>	<u>(172,519)</u>
Net (outflow)/inflow of funds		<u>£(305,585)</u>	<u>£224,620</u>
Increases/(decreases) in working capital			
Stock		4	7,708
Debtors		(77,507)	(34,163)
Creditors: amounts falling due within one year		873,043	1,685,269
		<u>795,540</u>	<u>1,658,814</u>
Net liquid funds			
Bank balances and cash	(962,531)		(1,522,406)
Bank overdraft	(138,594)		88,212
		<u>(1,101,125)</u>	<u>(1,434,194)</u>
Net (decrease)/increase in working capital		<u>£(305,585)</u>	<u>£224,620</u>

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1988

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>1988</u> £	<u>1987</u> £
Professional charges	180,802	408,800
Auditors' remuneration	5,000	14,566
Depreciation	27,320	26,937
Exchange loss/(gain)	52,194	96,330
Deed of covenant	20,034	21,315
Loss on video production	35,987	-
	<u> </u>	<u> </u>

2. Interest payable and similar charges

	<u>1988</u>	<u>1987</u>
On bank loans and overdrafts		
repayable within 5 years	£157	£214
otherwise than by instalments	<u> </u>	<u> </u>

3. Directors and employees

Staff costs during the year

	<u>1988</u> £	<u>1987</u> £
Wages and salaries	1,072,181	1,705,781
Social security	16,086	9,799
	<u>£1,108,267</u>	<u>£1,715,580</u>

The average number of employees of the company during the year was 12 (1987 12). Staff costs include directors' remuneration as follows:

Directors' fees	<u>£935,678</u>	<u>£1,584,478</u>
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The emoluments of the directors excluding pension contributions were:

The highest paid director	<u>£351,749</u>	<u>£630,354</u>
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QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1988

3. Directors and employees (continued)

	<u>1988</u>	<u>1987</u>
Other directors	<u>Number</u>	<u>Number</u>
£175,001 to £180,000	1	-
£180,001 to £185,000	1	-
£220,001 to £225,000	1	-
£295,001 to £300,000	-	1
£300,001 to £305,000	-	1
£350,001 to £355,000	-	1

4. Tax on profit on ordinary activities

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

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
United Kingdom corporation tax	39,210	126,594
Deferred taxation (note 13)	(1,226)	(9,167)
Overseas taxation	65,978	26,779
Underprovision for corporation tax in previous year	5,745	13,252
	<u>£109,707</u>	<u>£157,468</u>

United Kingdom corporation tax has been charged at rates varying from 25% to 35% (1987 27% to 35%).

5. Profit for the financial year

The parent 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 £17,135 (1987 loss £12,551) which is dealt with in the financial statements of the company.

6. Dividend

	<u>1988</u>	<u>1987</u>
Ordinary shares		
Proposed final dividend £1,300 per share (1987 £2,000) paid September 1988	<u>£130,000</u>	<u>£200,000</u>

7. Intangible fixed assets

The group and the company	<u>Trademarks</u>
Cost at 1st October 1987 and 30th September 1988	<u>£500</u>

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1988

8. Tangible fixed assets

The group

	<u>Total</u>	<u>Freehold</u>	<u>Plant,</u>
	<u>£</u>	<u>property</u>	<u>fixtures,</u>
		<u>£</u>	<u>fittings and</u>
			<u>equipment</u>
			<u>£</u>
Cost			
At 1st October 1987	807,887	172,854	635,033
Additions	9,663	-	9,663
At 30th September 1988	817,550	172,854	644,696
Depreciation			
At 1st October 1987	578,233	27,655	550,578
Provided in the year	27,820	3,457	24,363
At 30th September 1988	606,053	31,112	574,941
Net book amount at 30th September 1988	£211,497	£141,742	£69,755
Net book amount at 30th September 1987	£229,654	£145,199	£84,455

The company

	<u>£</u>	<u>£</u>	<u>£</u>
Cost			
At 1st October 1987	800,969	172,854	628,115
Additions	9,663	-	9,663
At 30th September 1988	810,632	172,854	637,778
Depreciation			
At 1st October 1987	576,233	27,655	548,578
Provided in the year	25,859	3,457	22,402
At 30th September 1988	602,092	31,112	570,980
Net book amount at 30th September 1988	£208,540	£141,742	£66,798
Net book amount at 30th September 1987	£224,736	£145,199	£79,537

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1988

9. Fixed asset investments

	<u>The group</u>		<u>The company</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</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 1987	(176,644)	(176,644)	(176,644)	(176,644)
	19,645	19,645	19,645	19,645
Investment in subsidiaries: shares at cost	-	-	14,052	14,052
At 30th September 1988	<u>£19,645</u>	<u>£19,645</u>	<u>£33,697</u>	<u>£33,697</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.)		

10. Stock

	<u>1988</u>	<u>1987</u>
The group and the company Goods for resale	<u>£44,788</u>	<u>£44,784</u>

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1988

11. Debtors

	<u>The group</u>		<u>The company</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	£	£	£	£
Amounts falling due within one year				
Trade debtors	360,722	591,719	245,855	425,507
Amounts owed by group companies	-	-	284,908	475,454
Amounts owed by affiliated companies	151,930	122,993	75,069	97,706
Other debtors	47,256	123,864	44,064	108,987
Prepayments and accrued income	49,480	128,665	26,900	23,632
Tax recoverable	77,383	-	70,645	-
Deferred expenditure	262,089	-	245,089	-
	<u>948,860</u>	<u>967,241</u>	<u>992,530</u>	<u>1,131,286</u>
Amounts falling due after more than one year	-	66,667	-	66,667
	<u>£948,860</u>	<u>£1,033,908</u>	<u>£992,530</u>	<u>£1,197,953</u>

12. Creditors: amounts falling due within one year

	<u>The group</u>		<u>The company</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	£	£	£	£
Bank overdraft	141,032	2,438	141,032	2,438
Directors' current accounts	158,530	486,426	158,530	4,636
Trade creditors	44,128	79,370	25,228	33,934
Amounts owed to group companies	-	-	95,604	91,057
Amounts owed to affiliated companies	7,934	188,097	16,428	170,496
Current taxation	9,039	144,377	2,273	118,864
Social security and other taxes	21,833	389,133	196	1,439
Proposed dividend	-	200,000	-	200,000
Other creditors	77,943	100,667	48,748	53,293
Accruals	405,999	345,717	115,087	334,901
	<u>£866,438</u>	<u>£1,936,225</u>	<u>£603,126</u>	<u>£1,011,058</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 1988

13. Provision for liabilities and charges

	Deferred taxation (note 14)
The group and the company	£
At 1st October 1987	1,226
Utilised during the year (note 4)	(1,225)
	<hr/>
At 30th September 1988	£ -
	<hr/>

14. Deferred taxation

	<u>1988</u>	<u>1987</u>
	£	£
The group and the company		
Accelerated capital allowances	-	7,014
Other timing differences	-	(5,788)
	<hr/>	<hr/>
	£ -	£1,226
	<hr/>	<hr/>

15. Called-up share capital

	<u>1988 and 1987</u>
	Authorised, allotted, called-up and fully paid
Ordinary shares of £1 each	£100
	<hr/>

16. Profit and loss account

	£
The company	
At 1st October 1987	991,198
Profit for the year	17,135
	<hr/>
At 30th September 1988	£1,008,333
	<hr/>

QUEEN PRODUCTIONS LIMITED

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH SEPTEMBER 1988

17. Capital commitments

Neither the group nor the company had any capital commitments at 30th September 1988 or 30th September 1987.

18. Contingent liabilities

There were no contingent liabilities at 30th September 1988 or 30th September 1987.