

**FLYING NUN (UK) LIMITED**  
**ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000**  
**TOGETHER WITH DIRECTORS'**  
**AND AUDITORS' REPORTS**

The company's registered number is 2941321



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## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2000**

The Directors present their annual report on the affairs of Flying Nun (UK) Limited ("the Company"), together with the accounts and auditors' report, for the year ended 30 June 2000.

#### **Principal activities**

The Company's principal activities continue to be the production, marketing and distribution of musical recordings.

#### **Business review**

The Company generated turnover for the year of £6,000 (1999 - £18,000) resulting in a profit after tax of £1,000 (1999 - loss of £95,000). The Directors expect the general level of activity to continue for the foreseeable future.

#### **Results and dividends**

The Company's operating profit for the year was £1,000 (1999 - loss of £52,000). The Company's profit before taxation was £1,000 (1999- loss of £95,000).

The Directors do not recommend the payment of a dividend (1999 - £Nil).

#### **Directors and their interests**

The Directors of the Company who served during the year were as follows:

E Murdoch (resigned 30 June 2000)  
B McWilliam  
P W Stehrenberger  
R M Linford

Except as noted above, all Directors served throughout the year and are still Directors at the date of this report.

None of the Directors have any interests in shares in group companies or any other interests that require disclosure in accordance with Companies Act Law.

#### **Auditors**

The Directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

## DIRECTORS' REPORT - continued

### **Statement of Directors' responsibilities**

Company law requires the Directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts 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.

By order of the Board



P W Stehrenberger  
Director

1 Virginia Street  
London  
E98 1XY

24 April 2001

## AUDITORS' REPORT

### To the Shareholders of Flying Nun (UK) Limited

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 and 6.

### Respective responsibilities of Directors and auditors

As described on page 3, the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

### 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company, 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 accounts 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 accounts.

Without qualifying our opinion, we draw your attention to note 9, which explains why the Directors have drawn up the accounts on a going concern basis, despite the net liabilities position of the Company.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors

1 Surrey Street  
London  
WC2R 2PS

24 April 2001

## **PRINCIPAL ACCOUNTING POLICIES**

### **FOR THE YEAR ENDED 30 JUNE 2000**

#### **Basis of accounting**

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

The Company's accounting policies have been applied consistently throughout the year and the preceding year.

#### **Cash flow statement**

The Company is exempt from the requirement of Financial Reporting Standard 1 to include a cash flow statement as part of its accounts because it is a wholly owned subsidiary undertaking of a body corporate. A consolidated cash flow statement is included in the accounts of The News Corporation Limited ("TNCL"), the ultimate parent company.

#### **Turnover**

Turnover represents amounts receivable for goods and services, net of returns and dealer discounts, provided in the normal course of business in the UK net of VAT. Royalties received on sales of compilation albums are recognised on a cash receipts basis.

#### **Artist advances**

The Company advances funds to artists prior to the production of records. These are treated as an asset of the Company and included within other debtors as it is believed that the advances will be recovered from royalties that would otherwise be payable to the artist. The Company writes off, in the 3 months following release of an album, 50% of the costs advanced to the artist regardless of the expected life of the album. The balance is recouped by royalties due to artists from album sales. The Directors periodically review the recoverability of the residual advances based upon their knowledge of expected market conditions and the market's anticipated response to each available product from the relevant artists.

Advances to artists who have not completed production of an album are held at full value and are assumed to be fully recoverable until such time as significant market response to the product is received.

#### **Stock**

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

#### **Foreign currency**

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end with any resulting gains or losses being recorded in the profit and loss account.

## **PRINCIPAL ACCOUNTING POLICIES - (continued)**

### **Taxation**

UK Corporation tax is provided on taxable profits after group relief at the current rate. It is the policy of the Newscorp Investments group companies not to make payments to fellow subsidiary undertakings for group relief surrendered.

Provision is made using the liability method for the taxation effects arising from all timing differences (other than those which are expected by the directors to continue within the foreseeable future) at the rates expected to be in force at the time of reversal.

### **Related party transactions**

As a subsidiary undertaking of TNCL, whose accounts are publicly available, the Company has taken the exemption in Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by TNCL.

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2000**

	<u>Notes</u>	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
<b>Turnover</b>	1	6	18
Cost of sales		(1)	(66)
<b>Gross profit/(loss)</b>		<u>5</u>	<u>(48)</u>
Administration expenses		(4)	(4)
<b>Operating profit/(loss)</b>		<u>1</u>	<u>(52)</u>
Interest payable and similar charges	3	-	(43)
<b>Profit/(loss) on ordinary activities before taxation</b>	2	<u>1</u>	<u>(95)</u>
Tax on profit and ordinary activities	4	-	-
<b>Retained profit/(loss) for the financial year</b>		<u>1</u>	<u>(95)</u>

There are no recognised gains and losses other than the profit attributable to shareholders of the Company of £1,000 in the year ended 30 June 2000 (1999 - loss of £95,000).

A reconciliation of movements in equity shareholders' deficit is given in note 8.

All operations of the Company continued throughout both years and no operations were acquired or discontinued.

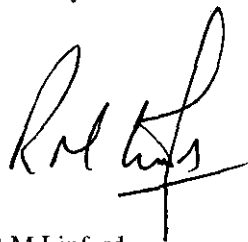
The accompanying principal accounting policies and notes are an integral part of this profit and loss account.



**BALANCE SHEET - 30 JUNE 2000**

	<u>Notes</u>	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
<b>Current assets</b>			
Stocks	5	-	2
Debtors	6	89	11
		<u>89</u>	<u>13</u>
<b>Creditors: Amounts falling due within one year</b>	7	(934)	(859)
<b>Net liabilities</b>	9	<u>(845)</u>	<u>(846)</u>
		=====	=====
<b>Equity capital and reserves</b>			
Called-up share capital	8	-	-
Profit and loss account	8	(845)	(846)
<b>Equity shareholders' deficit</b>		<u>(845)</u>	<u>(846)</u>
		=====	=====

The accounts on pages 5 to 11 were approved by the Board of Directors on 24 April 2001 and signed on its behalf by:



R M Linford  
Director

24 April 2001

The accompanying principal accounting policies and notes are an integral part of this balance sheet.

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2000**

**1 Segmental information**

Substantially all the Company's turnover and profit, in both the current and prior year, are derived, both by origin and destination, from the production, marketing and distribution of musical recordings in the United Kingdom.

**2 Profit/(loss) on ordinary activities before taxation**

Operating profit/(loss) is stated after charging:	2000 £'000	1999 £'000
Auditors' remuneration	2 =====	2 =====

The Directors of the Company received no remuneration for their services to the Company during the year (1999 - £Nil). The Directors received emoluments for their services provided to other group undertakings as disclosed in the accounts of those companies.

The Company has no employees.

**3 Interest payable and similar charges**

	2000 £'000	1999 £'000
Bank interest	- =====	43 =====

**4 Tax on profit on ordinary activities**

Due to the availability of tax losses from other group undertakings there is no tax charge for the year (1999 - £Nil).

**5 Stocks**

	2000 £'000	1999 £'000
Finished goods and goods for resale	- =====	2 =====

**6 Debtors**

Amounts falling due within one year	2000 £'000	1999 £'000
Trade debtors	-	1
Due from other group undertakings	89	10
	89 =====	11 =====

## NOTES TO THE ACCOUNTS – continued

### 7 Creditors: Amounts falling due within one year

	2000 £'000	1999 £'000
Bank loans and overdrafts	2	-
Trade creditors	-	1
Other creditors	-	8
Amounts due to group undertakings	932	850
	<u>934</u>	<u>859</u>
	=====	=====

Together with certain other companies in the NCI Group, the Company is party to a banking facility which is guaranteed by TNCL. No interest is paid or received by the Company under this facility and all interest is recorded in the books of other NCI group companies.

### 8 Equity capital and reserves

	2000 £'000	1999 £'000
a) Called-up share capital		
Authorised:		
100,000 ordinary shares of £1 each	100	100
	=====	=====
Allotted and fully-paid:	£	£
100 ordinary shares of £1 each	100	100
	=====	=====

#### b) Reconciliation of movements in shareholders' deficit

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Beginning of the year	-	(846)	(846)
Profit for the financial year	-	1	1
End of the year	<u>-</u>	<u>(845)</u>	<u>(845)</u>
	=====	=====	=====

### 9 Funding

The net liabilities of the Company are £845,000 at 30 June 2000 (1999 - £846,000) and net current liabilities of £845,000 at 30 June 2000 (1999 - £846,000). News International plc the immediate parent of Mushroom Records (UK) Limited (see note 11) has confirmed its intention of providing continuing financial support to enable the Company to meet its liabilities as they fall due.

### 10 Guarantees and financial commitments

Under a collective group banking facility the Company has given multilateral guarantees in respect of bank overdrafts of other NCI group companies.

## NOTES TO THE ACCOUNTS – continued

### **11 Ultimate parent company**

The Company's immediate parent company is Mushroom Records (UK) Limited, a company incorporated in England and Wales.

The ultimate parent company is The News Corporation Limited, a company incorporated in South Australia.

The largest group in which the results of the Company are consolidated is that headed by TNCL, whose principal place of business is at Holt Street, Sydney, New South Wales, Australia. The smallest group in which they are consolidated is that headed by NCI, a company incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from 1 Virginia Street, London E98 1FN