

Flying Nun (UK) Limited

**Report and Financial Statements
30 June 2002**

Registered number: 2941321



Contents

	Page
Directors' report	1
Auditors' report	3
Principal accounting policies	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

Directors' report

For the year ended 30 June 2002

The Directors present their annual report on the affairs of Flying Nun (UK) Limited ("the Company"), together with the financial statements and auditors' report, for the year ended 30 June 2002.

Principal activities and Business review

The Company's principal activity is the production, marketing and distribution of musical recordings. The Company generated turnover for the year of £6,000 (2001 - £Nil).

Results and dividends

The Company's profit for the financial year after taxation was £3,000 (2001 - loss of £2,000).

The Directors do not recommend the payment of a dividend (2001 - £Nil).

Directors and their interests

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

S. F. Hutson	(appointed 31 October 2001)
R. M. Linford	
B. McWilliam	(resigned 31 October 2001)
P.W. Stehrenberger	(resigned 31 October 2001)
C. Stone	(appointed 1 October 2002)

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

Arthur Andersen resigned as auditors during the year and Ernst & Young LLP were appointed in their place.

The Directors will place a resolution before the Annual General Meeting to reappoint Ernst & Young LLP as auditors for the ensuing year.

Directors' report - continued

Statement of Directors' responsibilities

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; and
- 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 which 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.

By order of the Board



S. F. Hutson
Director

1 Virginia Street
London
E98 1XY

11 October 2002

Independent Auditors' report

To the members of Flying Nun (UK) Limited

We have audited the Company's financial statements for the year ended 30 June 2002 which comprise the accounting policies, the Profit and Loss Account, the Balance Sheet and the related notes numbered 1 to 9. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the Company as at 30 June 2002 and of the Company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

11 October 2002

Principal accounting policies

For the year ended 30 June 2002

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with Generally Accepted Accounting Principles.

In preparing the financial statements for the current year, the Company has adopted FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax'. Adoption of these standards has not required any revisions to the financial statements in either the current or prior periods.

Cash flow statement

The Company is exempt from the requirement of FRS 1 'Cash flow statements' to include a cash flow statement as part of its financial statements 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.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Taxation

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

Related party transactions

As a wholly owned subsidiary undertaking of TNCL, whose financial statements are publicly available, the Company has taken the exemption in FRS 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 2002

	Notes	2002 £'000	2001 £'000
Turnover	1	6	-
Cost of sales		(1)	-
Gross profit		<u>5</u>	<u>-</u>
Administrative expenses		(2)	(2)
Profit/(loss) on ordinary activities before taxation	2	<u>3</u>	<u>(2)</u>
Tax on profit/(loss) on ordinary activities	3	-	-
Retained profit/(loss) for the financial year	6	<u>3</u>	<u>(2)</u>

There are no recognised gains and losses other than the profit attributable to shareholders of the Company of £3,000 in the year ended 30 June 2002 (2001 - loss of £2,000).

Details of movements in reserves are shown in note 6.

All operations of the Company continued throughout the year 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 2002

	Notes	2002 £'000	2001 £'000
Creditors: Amounts falling due within one year	5	(844)	(847)
Net liabilities	7	<u>(844)</u>	<u>(847)</u>
Equity capital and reserves			
Called-up share capital	6	-	-
Profit and loss account	6	(844)	(847)
Equity shareholders' deficit		<u>(844)</u>	<u>(847)</u>

The financial statements on pages 4 to 8 were approved by the Board of Directors on 11 October 2002 and signed on its behalf by:



S. F. Hutson
Director

11 October 2002

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

Notes to the financial statements

30 June 2002

1 Turnover

Substantially all the Company's turnover and profit, in the current year, is 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

This is stated after charging:

	2002 £'000	2001 £'000
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Auditors' remuneration	2	2
	2	2

The Directors of the Company received no remuneration for their services to the Company during the year (2001 - £Nil). The Directors received emoluments for their services provided to other group undertakings as disclosed in the financial statements of those companies.

The Company has no employees.

3 Tax on profit/(loss) on ordinary activities

Factors affecting current tax charge

The table below reconciles the standard rate of corporation tax in the UK of 30% (2001 - 30%) to the tax on the profit/(loss) on ordinary activities for the year.

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	3	(2)
Corporation tax at 30% (2001 - 30%)	1	(1)
Losses brought forward utilised	(1)	1
Total current tax	-	-

4 Cash at bank and in hand

The Newscorp Investments Group ("the Group") operates a collective overdraft facility with its bankers which allows individual companies in the Group to overdraw subject to an agreed limit not being exceeded in aggregate. This facility is guaranteed by TNCL.

5 Creditors: Amounts falling due within one year

	2002 £'000	2001 £'000
Bank loans and overdrafts	-	2
Amounts due to group undertakings	844	845
	844	847

Notes to the financial statements – continued

6 Equity capital and reserves

	2002 £'000	2001 £'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) Reserves		Profit and Loss account £'000
At 1 July 2001		(847)
Profit for the year		3
At 30 June 2002		(844)
c) Reconciliation of movements in shareholders' deficit		
	2002 £'000	2001 £'000
Profit/(loss) for the financial year	3	(2)
Opening shareholders' deficit	(847)	(845)
Closing shareholders' deficit	(844)	(847)

7 Funding

The net liabilities of the Company are £844,000 at 30 June 2002 (2001 - £847,000). News International plc the immediate parent of Mushroom Records (UK) Limited has confirmed its intention of providing continuing financial support to enable the Company to meet its liabilities as they fall due.

8 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.

9 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 TNCL, 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.