ARTHUR ANDERSEN

Newscorp Investments Limited

and subsidiaries

Accounts 30 June 1996

together with directors' and auditors' reports

Registered number: 1437199

Contents

Directors and officers

Directors:	D.R. Flynn	(appointed 26 June 1996, resigned 27 June 1996)
	L.F. Hinton	(appointed 7 February 1996)
	R.M. Linford	
	K.R. Murdoch	
	Sir Edward Pickering	
	P.W. Stehrenberger	
Secretary:	P.W. Stehrenberger	
Registered office:	P.O. Box 495 Virginia Street London E1 9XY	
Registered number:	1437199	
Auditors:	Arthur Andersen 1 Surrey Street London WC2R 2PS	
Bankers:	Midland Bank plc	

Directors' report

The Directors present their annual report on the affairs of Newscorp Investments Limited ("the Company") and its subsidiary undertakings ("the Group") together with the accounts and auditors' report for the year ended 30 June 1996.

Principal activities

The principal activities of the Group are the printing and publishing of national newspapers in the United Kingdom and television broadcasting (principally through its 40 per cent investment in British Sky Broadcasting Group plc ("BSkyB")). The Group's other activities include the publishing of books, development and sale of digital broadcast systems and conditional access software and the provision of financial services to other undertakings in The News Corporation Limited ("TNCL", the ultimate parent company) Group ("the TNCL Group"). An analysis of turnover, profit on ordinary activities before taxation and net assets employed for these activities is given in note 1 to the accounts.

Business review

Results for the year

This year's operating profit of £155.9 million represents an increase of 18% on last year.

Profit before taxation was £287.2 million. The prior year profit before taxation of £715.2 million included the one-off gain of £400.4 million on the sale of 20% of the Group's interest in BSkyB.

Newspapers

In November 1995 the Today newspaper was closed releasing additional printing capacity which continues to benefit the remaining titles as they expand their content and readership. The total costs associated with this closure was £42.1 million, which included the £25 million write off of the Today masthead.

The Group's other newspaper titles have continued to strengthen their position through increased market share and growth in advertising revenue.

Television broadcasting

BSkyB, in which the Group has a 40% interest, has substantially increased operating profit in the current year, reflecting strong subscriber growth. Total subscribers have increased 900,000 to 5.5 million during the year.

During the year the Group provided further funding of £34.5 million to Vox GmbH & Co. KG, a German television broadcaster, in which it holds a 49.9% interest.

Book publishing

The Adult Trade market has remained difficult due to increased paper costs and the demise of the Net Book Agreement which has led to increased discounts on sale prices. Revenue from the Children's and Educational lists showed marked growth, aided by the acquisition of the Letterland List in 1995.

Business review (continued)

The Book Manufacturing division recorded an operating loss of £2.9 million in the period to December 1995. The sale of this division was finalised in December 1995 and accordingly the results have been included within discontinued operations.

As part of a general review made in the light of current trading conditions, some one-off write downs have been made to the value of advances.

Other

In October 1995 the Group purchased the trade and assets of the Advanced Products Division ("APD") of National Telecommunications Limited for a consideration of £20.6 million. In a related transaction, a fellow subsidiary undertaking of TNCL acquired certain intangible assets of APD, which are licensed to the Group.

On 1 June 1995 the Group acquired 75.1% of the ordinary share capital of Twentieth Century Fox Home Entertainment Limited (formerly FoxVideo Limited) for a nominal consideration. The principal activity of the company is marketing and selling pre-recorded video cassettes.

Other operating units continued to show improvements in their performance and contribution.

Subsequent events

On 6 September 1996, the High Court of Justice approved a Scheme of Arrangement under which 123,457,488 Special Dividend Shares of 25p each, 1,000,000 4.9% First Cumulative Preference Shares of £1 each and 700,000 5.6% Second Preference Shares of £1 each in News International plc ("News International"), a subsidiary undertaking of the Company were cancelled by News International.

On this date, TNCL paid to the shareholders 102p in cash for each First Preference Share cancelled and 117p in cash for each Second Preference Share cancelled and issued 1.33 Preferred Limited Voting Ordinary Shares of A$0.50 each in TNCL for each Special Dividend Share cancelled.

On the same day 123,457,488 Special Dividend Shares, 1,000,000 First Preference Shares and 700,000 Second Preference Shares (which represents the shares cancelled) were reissued to TNCL for consideration of £459.6 million. Subsequently, TNCL sold all the reissued shares to the Company.

On 2 December 1996, the Group acquired a 50% interest in Obunsha Media, a Japanese media holding company, for 20.8 billion Yen. This interest was subsequently sold on 1 April 1997 for the same consideration. On 13 December 1996, the Group acquired a 50% interest in Japan Sky Broadcasting Co. Limited ("JSkyB"), a Japanese media company, for 10 billion Yen. On 4 June 1997, the Group sold 33% of its interest in JSkyB for 3,333.3 million Yen.

Results and dividends

The Group's retained profit for the financial year was £245.1 million (1995 - £663.1 million). The Directors do not propose payment of a dividend (1995 - £nil).

Directors' report (continued)

Directors and their interests

The Directors of the Company during the year are listed on page 1.

The Articles of Association do not require Directors to retire either by rotation or in the year of appointment.

According to the register maintained for the purpose, the interests of the Directors of the Company who held office at 30 June 1996 in shares and options of TNCL are as follows:

	Ordinary shares of 50 cents Australian in TNCL		Preferred Limited Voting Ordinary shares of 50 cents Australian in TNCL	
Shares held:	30 June 1996	30 June 1995	30 June 1996	30 June 1995
L.F. Hinton	10,000	10,000*	5,000	5,000*
K.R. Murdoch	29,717	29,585	15,048	14,859
P.W. Stehrenberger	20,000	20,000	20,000	20,000
Options held:				
L.F. Hinton	200,000	200,000*	100,000	100,000*
R.M. Linford	-	-	100,000	100,000

* at date of appointment

The middle market prices of a TNCL Ordinary share of A$0.50 each ("Ordinary shares") and a TNCL Preferred share ("Preferred shares") on 30 June 1996 were A$7.21 (1995 - A$7.86) and A$6.20 (1995 - A$6.96) respectively. The ranges in market value of the Ordinary shares and Preferred shares during the financial year were A$6.90 to A$8.38 and A$5.82 to A$7.41 respectively.

K.R. Murdoch is also deemed to have a relevant interest in shares of TNCL in which the undermentioned companies have interests as follows:

	Ordinary shares of 50 cents Australian in TNCL		Preferred Limited Voting Ordinary shares of 50 cents Australian in TNCL	
	30 June 1996	30 June 1995	30 June 1996	30 June 1995
Cruden Investments Pty. Limited	581,414,119	578,825,254	286,307,435	282,711,089
Kayarem Pty. Limited	16,996,102	16,920,423	8,606,272	8,498,138

No Director had any other beneficial interest in the shares of any company in the TNCL Group at any time during the year.

Directors and their interests (continued)
There were no contracts existing during or at the end of the financial year in which a Director of the Company was or is materially interested and which was or is significant in relation to the Group's business.

On 13 March 1997 P.W. Stehrenberger sold 3,000 Ordinary Shares. Since the end of the financial year, no other changes to the interests of the Directors have been notified to the Company.

Substantial shareholdings
The Company is a wholly-owned subsidiary of TNCL, the ultimate parent, a company incorporated in South Australia.

Charitable and political contributions
Charitable contributions made by the Group in the financial year amounted to £0.9 million (1995 - £0.8 million). There were no political contributions (1995 - £nil).

Employment of disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation
There are over 6,600 staff working in the Group. They are our most valuable asset. During the past year we have continued to work with considerable success on ways of involving more staff in the decision making process.

Newspapers
We have an Employee Consultative Council ("ECC") at each of our three main newspaper division operating sites - our head office at Wapping, and the plants at Knowsley on Merseyside and Kinning Park in Glasgow. These bodies are made up of democratically elected representatives of the workforce and members appointed by management. Chairmanship of the Council alternates on a regular basis between staff and management representatives. There are 20 members of the Wapping ECC, comprising 16 elected staff representatives and 4 management appointees; in Knowsley the ECC has 11 members, 8 from the staff and 3 from management and in Kinning Park membership is 11, 8 from the staff and 3 from management.

While it is not a negotiating board, the Council's remit is wide-ranging, discussing and advising senior management on anything from staff benefits and amenities through welfare to career development and training - even on improvements to operating strategies. During the year an appraisal system has been introduced.

Employee consultation (continued)

Book publishing

The book publishing division of the Group practises the policy of providing its employees with information concerning the division through meetings, bulletins, circulars and a house magazine. There are frequent open exchanges of views with recognised UK trade unions and employee representatives participate on various committees and panels. A number of employee benefit schemes are in operation and are designed to promote employee identification and association with division performance. Some form of bonus scheme is now in operation for virtually all staff within the division based on either productivity, sales and/or company/division profitability.

Payment of suppliers

The Group's policy is to pay suppliers at the end of the month following that in which the supplier's invoice is received or 30 days after the invoice is received. The policy is made known to the staff who handle payments to suppliers and is made known to all suppliers on request

Auditors

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

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 Group and of the profit or loss of the Group 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

Statement of Directors' responsibilities (continued)

The auditors' opinion does not encompass the Directors' report on pages 2 to 7. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the Directors' report are inconsistent with the accounts.

The auditors' report is on page 8.

By Order of the Board,

P.W. Stehrenberger
Secretary

P.O. Box 495
Virginia Street
London E1 9XY

27 June 1997

Auditors' report

London

To the Shareholders of Newscorp Investments Limited:

We have audited the accounts on pages 9 to 45 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 9 to 12.

Respective responsibilities of directors and auditors

As described on pages 6 and 7 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 and of the Group, 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.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 1996 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

27 June 1997

Principal accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards.

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

Basis of consolidation

The Group accounts are made up to 30 June 1996 and consolidate the accounts of Newscorp Investments Limited and all its subsidiary undertakings.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or to the date of disposal, as appropriate.

In the Company's accounts, investments in subsidiary undertakings are stated at cost, as modified by the revaluation of the Company's investment in News International, less amounts written off. Only dividends received and receivable are credited to the Company's profit and loss account.

No profit and loss account is presented for the Company, as provided by s230 of the Companies Act 1985.

Cash flow statement

In accordance with the provisions of the Financial Reporting Standard No. 1 (revised) ("FRS1"), a cash flow statement has not been prepared since the Company is a wholly owned subsidiary undertaking of a body corporate (note 29). A consolidated cash flow statement is included in the accounts of TNCL.

Participating interests

Undertakings, not being subsidiary undertakings, in which the Group has a participating interest (comprising not less than 20% of the voting capital) and over which it exerts significant influence are treated as associated undertakings. The consolidated profit and loss account includes the appropriate share of these undertakings' profits or losses for the year and the Group's share of post acquisition retained profits or losses and reserves is added to the cost of investment in the consolidated balance sheet.

Other participating interests over which the Group does not exert significant influence are accounted for as investments. All other participating interests are subsidiary undertakings of the ultimate parent company.

Goodwill

Goodwill (representing the excess of the purchase price over the fair value of the net tangible assets and separable intangible assets on acquisition) is capitalised and amortised over a period of 20 years. Any permanent diminution in value is recognised by an immediate write off through the profit and loss account.

Principal accounting policies (continued)

Investments
Investments are stated at cost or valuation less amounts written off. Income from investments is included in profit only if received, or declared and receivable. Franked investment income includes the appropriate taxation credit.

Publishing rights and titles
Newspaper publishing rights and titles are stated at cost or the Directors' estimate of their current cost. Book publishing rights are based on the Directors' estimation of fair value at the date of acquisition.

No amortisation is provided on publishing rights and titles since, in the opinion of the Directors, any such depreciation would be immaterial due to the length of their useful economic lives, subject to the periodic revaluation by an independent assessor and annual review by the directors.

Provision for corporation tax on capital gains that could arise in the event of disposal of these assets at their revalued amounts has not been made since there are currently no plans for their disposal (see note 22).

Stocks and work-in-progress
Stocks and work-in-progress are valued at the lower of cost and net realisable value. In general, cost represents actual cost of the stock concerned and, in respect of manufactured items, includes an appropriate proportion of production overheads.

Foreign currency
Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates as of 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 exchange gains or losses being recorded in the profit and loss accounts.

For the purpose of consolidation, the closing rate method is used to translate balance sheets of subsidiary undertakings maintained in foreign currencies and the related translation gains or losses are shown as a movement on reserves; profit and loss accounts and cash flows are translated at average exchange rates ruling during the year. When foreign currency borrowings are used to finance foreign investments, the borrowings and investments are translated at the rates of exchange prevailing at the year-end and the resulting exchange differences taken to reserves.

Taxation
Corporation tax payable is provided on taxable profits at the current rate.

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. The amounts provided and the full potential liability are set out in note 22.

Principal accounting policies (continued)

Turnover
Turnover is the net amount receivable by the Group in the ordinary course of its business, excluding value added tax and transactions within the Group. Estimates of future returns are provided for at the time of sale of the publications to which they relate and are included in accrued liabilities. Video sales are recognised on the later of release date or shipment of goods. Where goods have been shipped prior to release date, the invoiced value is shown as deferred income.

Tangible fixed assets and depreciation
Land and buildings are stated at cost or valuation. Plant, motor vehicles, fixtures and fittings and assets in course of construction are stated at cost.

Where borrowings are used to finance capital projects, interest incurred prior to the completion of those projects is capitalised.

Assets in course of construction are not depreciated. When such assets come into use they are transferred to the appropriate fixed asset category and depreciated accordingly.

No provision for depreciation is made in respect of freehold land and land on 999 year leases; buildings thereon are depreciated at 2% per annum on the straight-line basis. Other leasehold properties are amortised over the period of their respective leases except for properties in the course of construction which will be amortised from the date of completion.

Other fixed assets are depreciated over their expected useful economic lives or anticipated length of use by the Group in order to write off their cost. The principal rates, using the straight-line basis, are as follows:

Plant (excluding colour printing presses)	5% to 33% per annum
Colour printing presses	3.3% per annum
Motor vehicles	25% per annum
Fixtures and fittings	10% to 20% per annum

Leases
The Group as Lessee
Rentals payable under operating leases are charged to the profit and loss account in the period in which they are incurred.

Assets acquired under finance leases and related lease obligations are included in the balance sheet at the present value of the minimum rental payments, and the assets are depreciated over their useful lives or the term of the lease, whichever is the shorter. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account over the period of the lease to produce a constant rate of return on the outstanding balance.

Principal accounting policies (continued)

Leases (continued)

The Group as Lessor

Income from assets leased under finance leases is credited to the profit and loss account over the period of the lease so as to give a constant rate of return on funds invested. The net amount receivable under finance leases is included in debtors.

Government grants

Grants received and receivable in respect of additions to tangible fixed assets are included in creditors, classified as due within or greater than one year as appropriate and amortised into income over the estimated useful lives of the related assets.

Pension costs and post retirement medical benefits

In accordance with the provisions of SSAP 24, pension costs are charged against profit in a systematic manner over the service lives of employees in each scheme. Contributions to defined contribution schemes are charged to the profit and loss account on a payable basis. Contributions to defined benefit schemes comprise:

a) The regular pension cost, which is the consistent ongoing cost, calculated as a level percentage of the current and expected future pensionable payroll.

b) Variations from the regular cost, arising from pension scheme surpluses or deficits allocated over the expected remaining service lives of employees in each scheme.

Any difference between the amounts charged in the profit and loss account and the amounts payable to the schemes for the year are recorded as creditors or prepayments as appropriate.

The estimated cost of unapproved pension benefits is charged against profits systematically over the period that these employees remain in the defined benefit scheme (note 10).

Certain current and former employees are entitled to post retirement medical benefits, the cost of which is met by the Group. The estimated cost of providing these benefits is charged against profits on a systematic basis over the employees' working lives within the Group. Any unprovided obligation will be accrued on a straight line basis over the next eighteen years (note 10).

Revaluation reserve

Surpluses arising on the revaluation of fixed assets are transferred to a revaluation reserve (note 23). Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from this reserve to the profit and loss account. Where assets which have been revalued are sold, the previous revaluation surplus is transferred directly to realised reserves (profit and loss account) and the difference between sale price and depreciated revalued amount is recorded in arriving at profit on ordinary activities before taxation.

Consolidated profit and loss account

For the year ended 30 June 1996

	Notes	1996		1995	
		£m	£m	£m	£m
Turnover					
Continuing operations		1,225.9		1,026.0	
Discontinued operations		8.8		9.4	
	1		1,234.7		1,035.4
Cost of sales			(738.7)		(610.8)
Gross profit			496.0		424.6
Other operating expenses (net)	2		(340.1)		(292.1)
Operating profit/(loss)					
Continuing operations		157.2		131.9	
Discontinued operations		(1.3)		0.6	
			155.9		132.5
Share of profit of associated undertakings	3		78.0		85.6
Net loss on sale or termination of operations	4		(19.1)		(9.5)
Cost of fundamental reorganisation of continuing operations	5		(17.0)		(2.0)
(Loss)/gain on disposal/write off of fixed assets (net)	6		(14.7)		405.4
Other investment income	7		355.4		382.4
Interest payable and similar charges	8		(251.3)		(279.2)
Profit on ordinary activities before taxation	1&9		287.2		715.2
Taxation	11		(19.6)		(15.4)
Profit on ordinary activities after taxation			267.6		699.8
Minority interests	24		(22.5)		(36.7)
Retained profit for the year	12&23		245.1		663.1

Details of movements on reserves are shown in note 23.

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

Statement of total recognised gains and losses

For the year ended 30 June 1996

	1996 £m	1995 £m
Retained profit for the year	245.1	663.1
Currency translation gains/(losses) arising on net foreign currency investments	141.1	(106.8)
Total recognised gains for the financial year	386.2	556.3

Note of historical cost profits and losses

For the year ended 30 June 1996

	1996 £m	1995 £m
Profit on ordinary activities before taxation	287.2	715.2
Realisation of fixed assets revaluation (losses)/gains of previous years (note 23b)	(33.6)	2.9
Historical cost profit on ordinary activities before taxation	253.6	718.1
Historical cost profit for the year retained after taxation and minority interests	211.5	666.0

The accompanying principal accounting policies and notes are an integral part of these statements.

Consolidated balance sheet

30 June 1996

	Notes	1996 £m	1995 £m
Fixed assets			
Intangible assets	13	1,380.5	1,392.0
Tangible assets	14	797.4	791.0
Investments	15	3,862.3	3,601.7
		6,040.2	5,784.7
Current assets			
Stocks	16	113.4	87.4
Debtors	17	1,140.4	1,389.1
Investments	18	11.3	11.3
Cash at bank and in hand	19	97.1	56.2
		1,362.2	1,544.0
Creditors: Amounts falling due within one year	20	(697.3)	(825.7)
Net current assets		664.9	718.3
Total assets less current liabilities		6,705.1	6,503.0
Creditors: Amounts falling due after more than one year	21	(2,587.1)	(2,791.9)
Provisions for liabilities and charges	22	(0.3)	(0.3)
Net assets	1	4,117.7	3,710.8
Capital and reserves			
Equity share capital		38.1	38.1
Non-equity share capital		1,000.0	1,000.0
Called-up share capital	23	1,038.1	1,038.1
Equity reserves:			
Share premium	23	1,091.1	1,091.1
Revaluation reserve	23	1,076.9	1,043.3
Other reserves	23	619.0	619.0
Profit and loss account	23	27.7	(324.9)
Shareholders' funds (including non-equity interests)		3,852.8	3,466.6
Minority interests	24	264.9	244.2
Total capital employed		4,117.7	3,710.8

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

Company balance sheet

30 June 1996

	Notes	1996 £m	1995 £m
Fixed assets			
Tangible assets	14	0.2	0.2
Investments	15	3,926.7	3,269.1
		3,926.9	3,269.3
Current assets			
Debtors	17	189.0	176.3
Investments	18	18.1	-
Cash at bank and in hand	19	19.2	16.3
		226.3	192.6
Creditors: Amounts falling due within one year	20	(2,337.3)	(1,562.6)
Net current liabilities	28	(2,111.0)	(1,370.0)
Net assets		1,815.9	1,899.3
Capital and reserves			
Equity share capital		38.1	38.1
Non-equity share capital		1,000.0	1,000.0
Called-up share capital	23	1,038.1	1,038.1
Equity reserves:			
Share premium	23	1,091.1	1,091.1
Revaluation reserve	23	76.4	76.4
Profit and loss account	23	(389.7)	(306.3)
Total capital employed		1,815.9	1,899.3

Signed on behalf of the Board

P.W. Stehrenberger Director

27 June 1997

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

Notes to the accounts

30 June 1996

1 Segmental information

a) Turnover and profit/(loss) on ordinary activities before taxation

	Turnover		Profit/(loss) on ordinary activities before taxation	
	1996	1995	1996	1995
	£m	£m	£m	£m
Newspaper printing and publishing	826.6	756.8	132.2	118.9
Television broadcasting	-	-	78.3	486.2
Book publishing				
- continuing operations	172.0	184.6	(14.4)	10.3
- discontinued operations	8.8	9.4	21.7	0.6
Conditional access software and digital broadcast systems	112.7	43.7	7.4	(1.3)
Other activities and unallocated costs, including interest expense net of other investment income	114.6	40.9	62.0	100.5
	1,234.7	1,035.4	287.2	715.2

Materially all turnover and profit on ordinary activities before taxation arose both by origin and destination in the UK. Included within the conditional access software and digital broadcast systems segment are sales of £29.4 million (1995 - £19.5 million) made to British Sky Broadcasting Group plc ("BSkyB"), an associated undertaking of the Group. There were no other material inter-segment sales.

b) Net assets

	1996	1995
	£m	£m
Newspaper printing and publishing	2,085.7	2,007.0
Television broadcasting	144.1	86.6
Book publishing	261.9	282.1
Conditional access software and digital broadcast systems	72.0	31.1
Other activities and unallocated net assets, including investments	1,554.0	1,304.0
	4,117.7	3,710.8

Notes to the accounts (continued)

2 Other operating expenses (net)

	1996 £m	1995 £m
Distribution costs	63.9	62.0
Selling and marketing costs	88.3	76.2
Administrative expenses	200.4	158.5
	352.6	296.7
Other operating income	(12.5)	(4.6)
	340.1	292.1

Costs of £2.4 million (1995 - £7.0 million) relating to redundancy, restructuring and closure costs are included in other operating expenses (net).

3 Share of profits of associated undertakings

This represents the Group's interest in BSkyB and other associated undertakings and comprises:

	1996 £m	1995 £m
(i) Share of BSkyB's		
- profit before interest payable to shareholders (note 15b)	103.5	85.8
- interest payable to shareholders	-	(15.7)
	103.5	70.1
(ii) Loan interest receivable from BSkyB	-	15.7
	103.5	85.8
(iii) Other associated undertakings (note 15b)	(25.5)	(0.2)
	78.0	85.6

Notes to the accounts (continued)

4 Net loss on sale or termination of operations

	1996 £m	1995 £m
Continuing operations		
Redundancy and other costs of closure of Today	17.1	-
Write off of Today masthead (note 13)	25.0	-
	42.1	-
Discontinued operations		
Proceeds from book publishing non-competition agreement	(26.2)	-
Provisions in respect of disposal of manufacturing operations	3.2	17.8
Gain on sale of business division	-	(8.3)
	(23.0)	9.5
	19.1	9.5

5 Cost of fundamental reorganisation of continuing operations

	1996 £m	1995 £m
Redundancies	17.0	2.0

6 (Loss)/gain on disposal/write off of fixed assets (net)

	1996 £m	1995 £m
Loss on disposal of tangible fixed assets	(0.3)	-
Gain on disposal of subsidiary undertaking	0.6	3.0
Amount written off fixed asset investment (note 15d)	(15.0)	-
Gain on sale of other fixed asset investments	-	6.7
Loss on liquidation of subsidiary undertaking	-	(4.7)
Gain on partial disposal of investment in BSkyB	-	400.4
	(14.7)	405.4

7 Other investment income

	1996 £m	1995 £m
Income from loans to fellow subsidiary undertakings and other participating interests of the ultimate parent company (including foreign exchange gains of £13.9m (1995 - £33.8m))	353.0	380.7
Other interest receivable and similar income	2.4	1.7
	355.4	382.4

Notes to the accounts (continued)

8 Interest payable and similar charges

	1996 £m	1995 £m
On bank loans, overdrafts and other loans (note 21)		
- repayable within five years, not by instalments	186.2	121.8
- repayable after five years	60.3	151.9
Finance charges in respect of capitalised finance leases	4.8	5.5
	251.3	279.2

Of the above interest £225.5 million (1995 - £261.1 million) is payable to fellow subsidiary undertakings.

9 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

		1996 £m	1995 £m
Rent receivable (net)		(0.9)	(0.7)
Depreciation of tangible fixed assets (note 14a)		37.7	38.3
Amortisation of goodwill (note 13)		3.0	2.5
Rent on short-term leases		1.6	9.8
Operating lease rentals	- plant and machinery	4.8	4.5
	- property	10.8	10.1
Finance charges in respect of capitalised finance leases		4.8	5.5
Principal auditors' remuneration	- audit	0.9	0.6
	- other services	0.9	0.8
Other auditors' remuneration	- audit	-	0.3
	- other services	-	0.1
Staff costs (note 10)		228.0	219.7

10 Staff costs

Employee costs of the Group (including Directors) during the year comprised:

	1996 £m	1995 £m
Wages and salaries	201.0	195.7
Social security costs	15.8	16.4
Other pension costs	11.2	7.6
	228.0	219.7

Notes to the accounts (continued)

10 Staff costs (continued)

The average monthly number of persons employed by the Group during the year was as follows:

	1996 Number	1995 Number
Newspaper printing and publishing	3,607	3,671
Book publishing	2,071	2,545
Conditional access software and digital broadcast systems	515	162
Other activities	472	341
	6,665	6,719

Directors' remuneration:

	1996 £000s	1995 £000s
Salaries as directors	954	501
Performance related bonus	129	40
Other emoluments (including pension contributions)	45	51
Compensation for loss of office	-	369
	1,128	961

The highest paid Director received emoluments (excluding pensions and pension contributions) of £670,000 (1995 - £123,600).

Discretionary performance related bonuses are paid to certain Directors based on the achievements of various pre-determined financial and non-financial personal objectives.

10 Staff costs (continued)

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1996 Number	1995 Number
Up to £ 5,000	2	1
£ 5,001 - £ 10,000	-	1
£ 75,001- - £ 80,000	-	1
£ 90,001 - £ 95,000	-	1
£ 105,001 - £ 110,000	1	1
£ 120,001 - £ 125,000	-	2
£ 130,001 - £ 135,000	1	-
£ 165,001 - £ 170,000	1	-
£ 665,001 - £ 670,000	1	-

Certain Executive Directors are also remunerated by TNCL and fellow subsidiary undertakings for services as officers of those companies. Details of Directors' interests in TNCL are provided in the Directors' report on pages 4 and 5.

Pensions

The Group operates eight pension schemes. The major scheme which covers the majority of newspaper executives, staff and works personnel is a UK defined contribution scheme; the remainder of UK non-book publishing employees are covered by two defined benefit schemes (non-book publishing executive scheme and digital broadcast systems scheme). The book publishing employees are covered by two defined benefit schemes for UK employees and three defined contribution schemes for Australian employees.

The total pension cost for the Group was £11.2 million (1995 - £7.5 million) of which £9.1 million (1995 - £ 6.5 million) relates to the defined contribution schemes and £2.1 million (1995 - £1.0 million) to the defined benefit schemes. The cost relating to the defined benefit schemes is net of a credit of £0.9 million (1995 - £1.6 million) which represents the amortisation of the surplus calculated at the date of the last valuation relating to the schemes covering UK book publishing employees.

The assets of the pension schemes are held in separate externally administered trust funds, which are fully funded. The pension costs relating to the defined benefit schemes are assessed in accordance with the advice of a qualified actuary using the projected unit method. The defined benefit schemes are valued by an independent qualified actuary on a triennial basis.

Notes to the accounts (continued)

10 Staff costs (continued)

a) Non-book publishing executive defined benefit scheme

The latest actuarial valuation on the defined benefit scheme covering non-book publishing executives was prepared as at 1 July 1994. The assumptions which have the most significant effect on the results of this valuation are those relating to the rate of return on investments and the rate of increase in pensionable earnings and pensions. It was assumed that salary increases lag on average 2% behind growth of returns on investments and that increases to pensions in payment would be granted at 5% per annum.

This valuation showed that the market value of the assets of the scheme were £47.1 million, which represents an overall level of funding of 114 per cent of past service liabilities.

The surpluses on these defined benefit schemes will be eliminated by revisions to the contribution rate. Pension costs charged in the profit and loss account reflect these actuarially determined contribution rates.

b) UK book publishing defined benefit schemes

The latest valuations of the defined benefit schemes covering UK book publishing employees were prepared at 30 June 1995. It was assumed in assessing the pension cost relating to these plans that the returns on investments would be approximately 2.5% per annum greater than the increase in wages and salaries (including an allowance for merit and promotional increase) except for the three years immediately following valuation where it was assumed that the rate of return on investments would be 3.5% greater than that of salaries. Future pension increases were assumed to be at the guaranteed rate in the rules.

This valuation showed that the market value of the assets of the scheme were £62.8 million, which represents an overall level of funding of 106 per cent of past service liabilities.

c) Digital broadcast systems defined benefit scheme

The defined benefit scheme covering digital broadcast systems employees commenced on 1 December 1995. It was assumed in assessing the pension cost relating to this plan that the return on investments would be approximately 3% per annum greater than the increases in wages and salaries and that increases to pensions in payment would be granted at 5% per annum. No actuarial valuation of this scheme has been prepared.

d) Unapproved pension arrangements

The Finance Act 1989 reduced the maximum approvable pensionable salary to members who joined the defined benefit scheme after June 1989. This led to the setting up of an unapproved retirement benefits arrangement. This arrangement will pay promised pension benefits for salary in excess of those payable from the defined benefit scheme.

A provision of £299,000 has been made to reflect the cost of unapproved pension arrangements. This includes a provision of £33,000 for a past Director. These figures reflect actuarially determined contribution rates.

10 Staff costs (continued)

Post retirement medical benefits

The Group operates a post-retirement medical benefits scheme. The charge relating to this scheme, which is unfunded, is £0.9 million for the year (1995 - £0.9 million). The charge for the year has been assessed in accordance with the advice of qualified actuaries. The latest actuarial valuation as at 1 July 1996 estimated the present value of the accumulated benefit obligation at £7.4 million (1995 - £6.7 million), of which £1.9 million (1995 - £0.3 million) has been provided. The remaining unprovided obligation of £5.5 million will be accrued over the next eighteen years. The main actuarial assumptions used to estimate this obligation are health care claims costs escalation of 10 per cent per annum, and a discount rate of 8 per cent per annum.

11 Taxation

Taxation is based on the profit for the year:

	1996 £m	1995 £m
Corporation tax at 33% (1995 - 33%)	0.6	-
Share of taxation attributable to associated undertaking (BSkyB - note 15b)	9.4	8.3
Overseas taxation	11.1	9.1
	21.1	17.4
Taxation attributable to franked investment income	-	(1.6)
	21.1	15.8
Adjustment in respect of prior years	(1.5)	(0.4)
	19.6	15.4

The UK corporation tax charge is reduced due to the availability of tax losses. No UK tax has been provided on the profits of overseas subsidiary undertakings where there is no intention of remitting such profits to the UK.

12 Retained profit for the year

	1996 £m	1995 £m
The Company	(83.4)	(63.4)
Subsidiary undertakings	259.9	649.2
Associated undertakings	68.6	77.3
	245.1	663.1

13 Intangible fixed assets

	Group 1996 £m	Group 1995 £m
Publishing rights and titles	1,323.5	1,350.2
Goodwill on consolidation	57.0	41.8
	1,380.5	1,392.0

The movement in the year was as follows:

	Group	
	Publishing rights and titles £m	Goodwill on consolidation £m
Cost or valuation		
Beginning of year	1,350.2	49.8
Additions (note 31)	1.6	18.4
Disposals	(0.2)	-
Closure of Today (note 4)	(25.0)	-
Other movements	(3.1)	(0.1)
End of year	1,323.5	68.1
Amortisation		
Beginning of year	-	8.0
Amortisation in year	-	3.0
Other movements	-	0.1
End of year	-	11.1
Net book value		
Beginning of year	1,350.2	41.8
End of year	1,323.5	57.0

13 Intangible fixed assets (continued)

All of the Group's United Kingdom newspaper titles unaccompanied by the assets and other rights and interests which go to make up the associated businesses taken as a whole have been incorporated in the consolidated balance sheet at the Directors' estimate of current cost of £1,043 million (1995 - £1,068 million). Due to the closure of Today, the title has been written down to £nil and £25 million has been charged to the profit and loss account (note 4). The Directors have reviewed the estimated current cost of the remaining newspaper titles, taking into account the principles of the valuation placed on them by Hambros Securities Limited at 30 June 1990. The Directors have concluded, based on this review, that there has been no other significant change in current cost in the year to 30 June 1996. This review took account of the market factors particular to the titles and incorporates multiples which reflect the composition of revenues and profitability, readership loyalty, advertising revenue and potential for future growth. Corporation tax that could arise (maximum - £337.5 million (note 22)) in the event of disposal at the revalued amount has not been provided in these accounts since it is not the Directors' intention to dispose of these titles.

All other publishing rights and titles are stated at cost. The original cost of all rights and titles is £300.9 million (1995 - £359.7 million)

The Directors have decided not to undertake a detailed review of the carrying value of the book publishing rights until the requirements of the proposed new UK accounting standard on intangible assets are known. The directors will review the carrying value of its intangible assets in accordance with the requirements of the standard when it becomes effective.

The Directors have received confirmation from a fellow subsidiary undertaking that should it be determined that the publishing rights have suffered a permanent diminution in value, a fellow subsidiary undertaking will acquire the publishing rights for their current net book value and licence them back to the company that currently owns the assets on satisfactory commercial terms.

In October 1995 the Group purchased the trade and assets of the Advanced Products Division ("APD") of National Telecommunications Limited giving rise to goodwill of £18.4 million (note 31).

14 Tangible fixed assets

The net book value of tangible fixed assets comprises:

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Freehold land and buildings	37.3	31.3	-	-
Leasehold land and buildings	317.5	320.8	0.2	0.2
Plant, motor vehicles, fixtures and fittings	305.3	300.2	-	-
Plant and equipment under finance leases	110.8	113.6	-	-
Assets in course of construction	26.5	25.1	-	-
	797.4	791.0	0.2	0.2

Group

a) The movement in the year was as follows:

	Freehold land and buildings £m	Leasehold land and buildings £m	Plant, motor vehicles, fixtures and fittings £m	Plant and equipment under finance leases £m	Assets in course of construction £m	Total £m
Cost or valuation						
Beginning of year	35.2	352.2	497.4	134.3	25.1	1,044.2
Additions	8.4	2.2	26.5	2.0	8.4	47.5
Disposals	(1.9)	(0.1)	(3.7)	-	-	(5.7)
Transfers	-	0.7	6.3	-	(7.0)	-
End of year	41.7	355.0	526.5	136.3	26.5	1,086.0
Depreciation						
Beginning of year	3.9	31.4	197.2	20.7	-	253.2
Charge	0.6	6.1	26.2	4.8	-	37.7
Disposals	(0.1)	-	(2.2)	-	-	(2.3)
End of year	4.4	37.5	221.2	25.5	-	288.6
Net book value						
Beginning of year	31.3	320.8	300.2	113.6	25.1	791.0
End of year	37.3	317.5	305.3	110.8	26.5	797.4

Included in the cost of Group tangible fixed assets is interest on borrowings used to finance capital projects of £105.7 million (1995 - £105.7 million).

Leasehold land and buildings are substantially all long leaseholds.

Notes to the accounts (continued)

14 Tangible fixed assets (continued)

b) Assets at valuation

Plant, motor vehicles, fixtures and fittings, leased plant and equipment and assets in course of construction are shown at cost. Land and buildings are shown at cost or valuation at specified dates with subsequent additions at cost as shown below:

	1996		1995	
	Freehold £m	Leasehold £m	Freehold £m	Leasehold £m
Professionally valued at				
- 1 November 1980	6.5	-	7.1	-
- 30 June 1988	-	50.1	-	50.1
Total at valuation	6.5	50.1	7.1	50.1
At cost	35.2	304.9	28.1	302.1
Cost or valuation at end of year	41.7	355.0	35.2	352.2

Certain long leasehold land was revalued on 30 June 1988 on the basis of open market value for existing and anticipated use. Certain properties were revalued as at 1 November 1980 on the basis of open market value for existing use.

Original cost, and accumulated depreciation based on cost, of land and buildings included at valuation is as follows:

	1996		1995	
	Freehold £m	Leasehold £m	Freehold £m	Leasehold £m
Original cost	4.1	3.6	4.1	3.6
Accumulated depreciation based on cost	(1.0)	(0.3)	(0.9)	(0.2)
	3.1	3.3	3.2	3.4

Company

All of the fixed assets are shown at cost. There have been no significant movements during the year.

Notes to the accounts (continued)

15 Fixed asset investments

	Group		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
Subsidiary undertakings (a)	-	-	3,911.7	3,269.1
Associated undertakings (b)	147.0	87.6	-	-
Loans receivable (c)	3,478.6	3,268.5	-	-
Other investments (d)	236.7	245.6	15.0	-
	3,862.3	3,601.7	3,926.7	3,269.1

Details of the Group's principal subsidiary undertakings, associated undertakings and other participating interests are given on pages 44 and 45.

a) Subsidiary undertakings - Company

	1996	1995
	£m	£m
Cost or valuation		
News International plc	2,835.4	2,835.4
News Finance Pty Limited	907.1	314.7
News Collins Limited	98.0	98.0
News Offset Limited	21.0	21.0
News German Television Holding Gmbh	50.2	-
	3,911.7	3,269.1

The movement in the year was as follows:

	£m
Beginning of the year	3,269.1
Additions	642.6
End of year	3,911.7

The investment in News International represents 95.8% of the Ordinary share capital and 82.1% of the Special Dividend shares of that company. At 31 March 1987 the total investment was incorporated in the balance sheet at a valuation of £1,200 million. The valuation was made by the Directors, who were advised by Hambros Bank Limited. Subsequent additions of £1,635.4 million have been recorded at cost. The historical cost of the total investment is £1,753.6 million.

The Stock Exchange value at 30 June 1996 of the Company's investment in Special Dividend shares of News International was £2,365.1 million (1995 - £1,724.2 million).

Notes to the accounts (continued)

15 Fixed asset investments (continued)

a) Subsidiary undertakings - Company (continued)

During the year the Company invested an additional £592.4 million in the ordinary share capital of News Finance Pty, its subsidiary undertaking. Funding for the investment was provided by intercompany debt which is repayable on demand.

On 1 July 1995, News International's 100% investment in News German Television Holding GmbH was transferred to the Company at book value.

The following table sets out the book values of the identifiable assets and liabilities acquired. The Directors believe that there is no significant difference between the book values and fair values of these assets.

	Book value £m
Fixed assets	
Investments	31.6
Current assets	
Cash	1.4
Net assets	33.0
Satisfied by:	
Cash	33.0

The Company invested a further £17.2 million in News German Television Holding GmbH during the year.

On 6 September 1996, the High Court of Justice approved a Scheme of Arrangement under which 123,457,488 Special Dividend Shares of 25p each, 1,000,000 4.9% First Cumulative Preference Shares of £1 each and 700,000 5.6% Second Preference Shares of £1 each in News International were cancelled by News International.

On this date, TNCL paid to the shareholders 102p in cash for each First Preference Share cancelled and 117p in cash for each Second Preference Share cancelled and issued 1.33 Preferred Limited Voting Ordinary Shares of A$0.50 each in TNCL for each Special Dividend Share cancelled.

On the same day 123,457,488 Special Dividend Shares, 1,000,000 First Preference Shares and 700,000 Second Preference Shares (which represents the shares cancelled) were reissued to TNCL. Subsequently, TNCL sold all the reissued shares to the Company for consideration of £459.6 million resulting in a loss to the Group of £428.7 million. As a result of these transactions the Company owns 100% of the Special Dividend shares, First Preference Shares and Second Preference Shares.

Notes to the accounts (continued)

15 Fixed asset investments (continued)

b) Associated undertakings

	Group 1996 £m	Group 1995 £m
Listed - BSkyB	107.2	55.0
Unlisted - Other	39.8	32.6
	147.0	87.6

The movement in the year was as follows:

	Group £m
Beginning of year	87.6
BSkyB:	
Share of profits before taxation (note 3)	103.5
Share of taxation for the year (note 11)	(9.4)
Dividends received	(34.3)
Other loan repayment	(7.6)
Other:	
Additions	36.9
Share of losses for the year (note 3)	(25.5)
Foreign exchange adjustments	(4.2)
End of year	147.0

The Group's total investment in BSkyB at the end of the year comprises:

	Group £m
Ordinary shares	176.3
Other loans and costs	22.5
Share of post acquisition reserves	(91.6)
	107.2

The Group's investment in BSkyB is held by a subsidiary undertaking, News International Television Limited.

At 30 June 1996 the Stock Exchange value of the Group's investment in ordinary shares of BSkyB was £3,018.5 million (1995 - £1,883.1 million).

15 Fixed asset investments (continued)

b) Associated undertakings (continued)

The following information has been extracted from the audited accounts of BSkyB and its subsidiary undertakings as at 30 June 1996:

	1996 £m	1995 £m
Turnover	1,008.1	777.9
Profit before interest payable to shareholders	257.4	185.6
Profit before taxation	257.4	155.3
Fixed assets	97.2	47.3
Net current (liabilities)/assets	(8.9)	4.5
Amounts falling due after more than one year	(681.4)	(800.9)
Provisions for liabilities and charges	(14.7)	(18.6)
Deficit in shareholders' funds	(607.8)	(767.6)

Other

Other additions consist primarily of further funding of £34.5 million to Vox GmbH & Co. KG, a German television broadcaster, in which the Group has a 49.9% interest.

c) Loans receivable - Group

		Group	
		1996 £m	1995 £m
i)	Sterling loan due from fellow subsidiary undertakings bearing interest at 0.46875% above LIBOR repayable in June 1999	2,211.0	2,159.2
ii)	US dollar loan due from fellow subsidiary undertaking bearing interest at 11% and repayable in 1999	70.7	68.6
iii)	Australian dollar loans due from fellow subsidiary undertakings bearing interest at the Australia 90 day bank bill rate repayable after more than five years	1,196.9	1,040.7
		3,478.6	3,268.5

Notes to the accounts (continued)

15 Fixed asset investments (continued)

c) Loans receivable - Group (continued)

The movement in the year was as follows:

	Group £m
Beginning of year	3,268.5
Additions to loans	333.6
Repayment of existing loans	(269.5)
Foreign exchange adjustments	146.0
End of year	3,478.6

d) Other investments

Other investments are analysed as follows:

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Fellow subsidiary undertakings (i)	220.2	214.1	-	-
Unlisted (ii)	16.5	31.5	15.0	-
	236.7	245.6	15.0	-

15 Fixed asset investments (continued)

d) Other investments (continued)

The movement in the year was as follows:

	Group	Company
	£m	£m
Cost or valuation		
Beginning of year	251.1	-
Additions	1.1	30.0
Foreign exchange adjustments	5.0	-
End of year	257.2	30.0
Amounts written off		
Beginning of year	5.5	-
Charge	15.0	15.0
End of year	20.5	15.0
Net book value		
Beginning of year	245.6	-
End of year	236.7	15.0

i) Fellow subsidiary undertakings

Investments in fellow subsidiary undertakings are as follows:

	Group	
	1996	1995
	£m	£m
News America Holdings Incorporated	192.2	188.0
Other	28.0	26.1
	220.2	214.1

The remaining ordinary share capital of these participating interests is held by other subsidiary undertakings of TNCL. The Directors consider that the Group is not in a position to exercise significant influence over the affairs of the companies and they are therefore treated as investments.

The net assets of News America Holdings Incorporated and subsidiary undertakings as included in the consolidated accounts of TNCL totalled £2,344.6 million at 30 June 1996 (1995 - £1,429.6 million). The consolidated net profit for the year ended 30 June 1996 was £117.0 million (1995 - £384.5 million). The Group's interest in the consolidated net assets through its 20% (1995 - 20%) holding of Common Stock and 47% (1995 - 47%) holding of Cumulative Preference Stock totals £658.3 million (1995 - £465.1 million).

15 Fixed asset investments (continued)

d) Other investments - Group (continued)

ii) Unlisted investments

In 1995 unlisted investments comprised principally a loan to TOG Limited, the parent company of Martin The Newsagent Limited, of £30.0 million. During the year the loan was transferred from News International to the Company. Subsequently half of the loan was written off and £15.0 million was charged to the profit and loss account (note 6).

16 Stocks

	Group	
	1996	1995
	£m	£m
Raw materials and consumables	27.0	20.1
Work-in-progress	19.9	7.3
Finished goods and goods for resale	66.5	60.0
	113.4	87.4

17 Debtors

	Group		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	171.0	144.8	-	-
Due from subsidiary undertakings	-	-	188.6	174.7
Due from fellow subsidiary undertakings	858.1	1,127.4	-	-
Due from associated undertakings	8.1	4.4	-	-
Rentals due under finance leases	2.4	2.2	-	-
Value added tax	2.9	0.7	-	-
Prepayments and accrued income	26.1	19.9	-	-
Income tax recoverable	2.4	4.0	-	1.6
Other debtors	32.1	40.5	0.4	-
	1,103.1	1,343.9	189.0	176.3
Amounts falling due after more than one year:				
Rentals due under finance leases	2.5	4.9	-	-
Prepayments and accrued income	6.7	6.5	-	-
Royalty advances	28.1	33.8	-	-
	37.3	45.2	-	-
	1,140.4	1,389.1	189.0	176.3

Notes to the accounts (continued)

18 Current asset investments

	Group		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
Sterling loan due from fellow subsidiary undertaking bearing interest at various margins above LIBOR	11.3	11.3	-	-
German DM loan due from subsidiary undertaking bearing interest at 2.5% above the German Bundesbank rate	-	-	18.1	-
	11.3	11.3	18.1	-

19 Cash at bank and in hand

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. In the Group accounts, overdrafts in certain subsidiary undertakings which are in aggregate in excess of the agreed limit have been netted against cash balances in the Company and other subsidiary undertakings which are subject to this arrangement (notes 20 and 27).

20 Creditors: Amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
Bank loans and overdrafts (note 27)	16.0	2.8	-	-
Bonds and loan stock	-	62.4	-	-
Loans from fellow subsidiary undertakings	167.3	289.3	-	-
Loans from subsidiary undertakings	-	-	2,337.3	1,561.8
Obligations under finance leases	17.9	16.8	-	-
Borrowings (note 21)	201.2	371.3	2,337.3	1,561.8
Due to fellow subsidiary undertakings	171.9	183.5	-	-
Trade creditors	91.6	84.8	-	-
Corporation tax payable	7.0	8.0	-	-
Value added tax	66.5	63.5	-	-
Social security and PAYE	4.0	4.3	-	-
Accruals and deferred income	127.2	91.2	-	-
Other creditors	27.9	19.1	-	0.8
	697.3	825.7	2,337.3	1,562.6

Notes to the accounts (continued)

21 Creditors: Amounts falling due after more than one year

	Group	
	1996	1995
	£m	£m
Loan notes	5.0	5.0
Loans from fellow subsidiary undertakings	2,513.8	2,690.7
Obligations under finance leases	45.2	59.9
Borrowings (analysed below)	2,564.0	2,755.6
Corporation tax payable	15.5	17.0
Other creditors	7.6	19.3
	2,587.1	2,791.9

During the year the Group paid interest on loan notes and loans from fellow subsidiary undertakings at rates between 4.094% and 8.84%.

Borrowings

Analysis of total borrowings repayable:

	Group		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
Within one year (note 20)	201.2	371.3	2,337.3	1,561.8
between 1-2 years				
- obligations under finance leases	12.4	17.8	-	-
between 2-5 years				
- loans from fellow subsidiary undertakings	2,055.0	2,061.0	-	-
- obligations under finance leases	32.6	42.1	-	-
- other	5.0	5.0	-	-
Total between 2-5 years	2,092.6	2,108.1	-	-
Wholly or in part by instalments after five years				
- obligations under finance leases	0.2	-	-	-
Otherwise than by instalments after five years				
- loans from fellow subsidiary undertakings	458.8	629.7	-	-
	2,765.2	3,126.9	2,337.3	1,561.8

Of the total Group borrowings above £452.6 million (1995 - £307.5 million) is denominated in US Dollars and £107.7 million (1995 - £110.1 million) in other foreign currencies. Of the total Company borrowings £Nil (1995 - £39.0 million) is denominated in US Dollars.

Other than finance leases, none of the Group or Company borrowings are secured on the assets of the Group.

Notes to the accounts (continued)

21 Creditors: Amounts falling due after more than one year (continued)
In May 1993 the Company's ultimate parent company, TNCL and certain of its subsidiary undertakings, entered into a six year US$3,000 million Revolving Credit Agreement. In March 1995 the facility was reduced to US$2,016 million with no further repayments due until maturity in June 1999. During the year, the maturity date was extended until 30 June 2002. The significant terms of the agreement include requirements for the TNCL group to maintain specific gearing and cash flow ratios and limitations on secured indebtedness.

22 Provisions for liabilities and charges

Deferred tax of £0.3 million (1995 - £0.3 million) is provided on accrued interest income in Harper Collins (UK). No other deferred tax is provided at 30 June 1996 and 1995 due to short-term timing differences and the availability of tax losses for relief against future taxable profits.

	Group	
Amounts unprovided for deferred taxation:	1996 £m	1995 £m
Deferred taxation related to:		
Excess of tax allowances over book depreciation of fixed assets	58.6	60.6
Other timing differences related to non-current assets	45.8	42.4
Other timing differences related to current assets and liabilities	(90.1)	(88.7)
Advance corporation tax recoverable	(14.3)	(14.3)
	-	-

The tax liability that could arise if listed associated undertakings were sold at their market value is £977.6 million (1995 - £599.3 million).

In addition taxes that could arise if property and publishing rights and titles were to be disposed of at their revalued amounts are as follows:

	Group	
	1996 £m	1995 £m
Property	4.9	7.4
Publishing rights and titles	337.5	332.7
	342.4	340.1

Notes to the accounts (continued)

23 Capital and reserves

a) Called-up share capital

	1996 £m	1995 £m
Authorised		
Attributable to equity interests		
50,000,000 Ordinary shares of £1 each	50.0	50.0
Attributable to non-equity interests		
1,000,000,000 Redeemable Preference shares of £1 each	1,000.0	1,000.0
	1,050.0	1,050.0
Issued and fully-paid		
Attributable to equity interests		
38,120,974 Ordinary shares of £1 each	38.1	38.1
Attributable to non-equity interests		
1,000,000,000 Redeemable Preference shares of £1 each	1,000.0	1,000.0
	1,038.1	1,038.1

Non-equity share capital has no voting rights or rights to dividends. On a winding up of the Company the nominal value of each share would rank above all other classifications of share capital.

b) Movements on capital and reserves - Group

	Called-up share capital £m	Share premium account £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Beginning of year	1,038.1	1,091.1	1,043.3	619.0	(324.9)	3,466.6
Profit for the financial year	-	-	-	-	245.1	245.1
Foreign exchange adjustments	-	-	-	-	141.1	141.1
Realisation of fixed assets revaluation gain/ (losses) of previous years	-	-	33.6	-	(33.6)	-
End of year	1,038.1	1,091.1	1,076.9	619.0	27.7	3,852.8

Realisation of fixed asset revaluation losses of previous years represents the transfer of a prior year revaluation of the Today masthead.

23 Capital and reserves (continued)

c) Movements on capital and reserves - Company

	Called-up share capital £m	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Total £m
Beginning of year	1,038.1	1,091.1	76.4	(306.3)	1,899.3
Loss for the financial year	-	-	-	(83.4)	(83.4)
End of year	1,038.1	1,091.1	76.4	(389.7)	1,815.9

d) Reconciliation of movements in shareholders' funds

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Profit/(loss) for the financial year	245.1	663.1	(83.4)	(63.4)
Foreign exchange adjustments	141.1	(106.8)	-	-
Net increase/(decrease) in shareholders' funds	386.2	556.3	(83.4)	(63.4)
Opening shareholders' funds	3,466.6	2,910.3	1,899.3	1,962.7
Closing shareholders' funds	3,852.8	3,466.6	1,815.9	1,899.3

Of the total shareholders' funds of the Group of £3,852.8 million (1995 - £3,466.6 million), £2,852.8 million (1995 - £2,466.6 million) is attributable to equity interests and £1,000.0 million (1995 - £1,000.0 million) to non-equity interests.

Of the total shareholders' funds of the Company of £1,815.9 million (1995 - £1,899.3 million), £815.9 million (1995 - £899.3 million) is attributable to equity interests and £1,000.0 million (1995 - £1,000.0 million) to non-equity interests.

24 Minority interests

	Group £m
Beginning of year	244.2
Retained profit for the year	22.5
Share of foreign exchange reserve movement	5.0
Dividends paid and proposed	(6.8)
End of year	264.9

The minority interests at 30 June 1996 represent primarily a 4.2% interest in the Ordinary shares of News International, a 17.9% interest in the Special Dividend shares of News International and a 25% interest in News Offset Limited.

Notes to the accounts (continued)

25 Future capital expenditure

Group	1996 £m	1995 £m
Capital expenditure contracted for but not provided for	16.2	13.8

The Company had no contracted or authorised future capital expenditure as at 30 June 1996 (1995 - £nil).

26 Leasing and other financial commitments

Certain subsidiary undertakings have entered into non-cancellable operating leases in respect of plant and machinery. In addition certain subsidiary undertakings lease buildings on short-term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The subsidiary undertakings pay all insurance, maintenance and repair costs of these properties. The minimum annual rentals on these leases are as follows:

	1996		1995	
Group	Property £m	Plant and machinery £m	Property £m	Plant and machinery £m
Operating leases which expire				
- within 1 year	0.3	0.9	0.3	0.6
- within 2-5 years	1.4	4.2	0.3	4.3
- after 5 years	11.1	-	10.5	0.1
	12.8	5.1	11.1	5.0

27 Guarantees and contingent liabilities

The Company, the immediate parent company and certain subsidiary undertakings are party to a banking facility which is guaranteed by TNCL.

The Company, TNCL and certain subsidiary and fellow subsidiary undertakings are parties and guarantors to a US$2,016 million (1995 - US$2,016 million) multi-currency Revolving credit agreement and approximately US$6,526 million (1995 - US$5,553 million) publicly-quoted debt instruments issued by a fellow subsidiary undertaking.

A subsidiary undertaking, TNCL and a fellow subsidiary undertaking have guaranteed certain lease agreements on behalf of subsidiary undertakings amounting to £64.6 million (1995 - £77.3 million).

The Company is registered for VAT purposes in a group of subsidiary undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the Group, and failure by other members of the Group would give rise to additional liabilities for the Company.

Certain companies within the Group enter into agreements which require payment of royalty advances and have certain minimum advance commitments to authors that are contingent upon the publication of future titles.

28 Funding

The Company has net current liabilities of £2,111.0 million at 30 June 1996 (1995 - £1,370.0 million). However, as many of the Company's operations are affected by the actions and directions of the ultimate parent company, TNCL has confirmed its intention of providing continuing financial support to enable the Company to meet its liabilities as they fall due.

29 Ultimate parent company

The Company's immediate and ultimate parent company is The News Corporation Limited, a company incorporated in South Australia.

The only group in which the results of Newscorp Investments Limited and its subsidiary undertakings are consolidated is that headed by The News Corporation Limited, whose principal place of business is at Holt Street, Sydney, New South Wales, Australia. The consolidated accounts of this group are available to the public and may be obtained from P.O. Box 495, Virginia Street, London E1 9XY.

30 Post balance sheet events

On 2 December 1996, the Group acquired a 50% interest in Obunsha Media, a Japanese media holding company, for 20.8 billion Yen. The interest were sold on 1 April 1997 for the same consideration. On 13 December 1996, the Group acquired a 50% interest in JSkyB, a Japanese media company, for 10 billion Yen. On 4 June 1997, the Group sold 33% of its interest in JSkyB for 3,333.3 million Yen.

Notes to the accounts (continued)

31 Acquisitions

In October 1995 the Group purchased the trade and assets of the Advanced Products Division ("APD") of National Telecommunications Limited for a consideration of £20.6 million. In a related transaction, a fellow subsidiary undertaking of TNCL acquired certain intangible assets of APD, which are licensed to the Group.

The following table sets out the book values of the identifiable assets and liabilities acquired. The directors believe that there is no significant difference between the book values and fair values of these assets

	Book value £m
Tangible fixed assets	2.4
Stocks	7.6
Debtors	3.8
Creditors falling due within one year	(10.4)
Provisions for liabilities and charges	(1.2)
Net assets	2.2
Goodwill	18.4
	20.6
Satisfied by:	
Cash	20.6

The goodwill of £18.4 million has been capitalised (note 13).

Principal subsidiary undertakings, associated undertakings and other participating interests

PRINCIPAL SUBSIDIARY UNDERTAKINGS AND ASSOCIATED UNDERTAKINGS

NEWS INTERNATIONAL PLC *(holding company and finance) (95.8%)

NEWS GROUP NEWSPAPERS LIMITED (Publishers of the News of the World, The Sun and Sunday Magazine)

TIMES NEWSPAPERS HOLDINGS LIMITED (Publishers)
Times Newspapers Limited (Publishers of The Sunday Times and The Times)

THE TIMES SUPPLEMENTS LIMITED (Publishers of The Times Educational Supplement, The Times Higher Education Supplement, The Times Scottish Education Supplement and The Times Literary Supplement)

NEWS INTERNATIONAL DISTRIBUTION LIMITED (Distribution of newspapers)

NEWS INTERNATIONAL NEWSPAPERS LIMITED (Printers)

NEWS INTERNATIONAL SUPPLY COMPANY LIMITED (Supply of goods and services to the newspaper publishing companies)

NEWS INTERNATIONAL (ADVERTISEMENTS) LIMITED (Sale of advertising space)

SKY RADIO LIMITED (Radio Broadcasting) (71.5%)

CONVOYS LIMITED (Warehousing and transport)

BROADSYSTEM LIMITED (Telephone Publishing)

NEWS DIGITAL SYSTEMS LIMITED (Development of subscriber management systems)
Digi-Media Vision Limited (Development and sale of digital broadcast systems)
News Datacom Limited (Development and sale of conditional access software)

NEWS INVESTMENTS (UK) LIMITED (Finance) (Incorporated in USA)

NEWSCORP FINANCE LIMITED (Finance) (Incorporated in the Cayman Islands) (75%)

NEWSCORP FINANCE N.V. (Finance) (Incorporated in the Netherlands Antilles) (51%)

ORDINTO INVESTMENTS (Finance)

LYNTRESS LIMITED (Finance)

SALCOMBE SECURITIES LIMITED (Finance)

ADMACROFT LIMITED (Finance)

Principal subsidiary undertakings, associated undertakings and other participating interests (continued)

PRINCIPAL SUBSIDIARY UNDERTAKINGS AND ASSOCIATED UNDERTAKINGS (continued)

CANTERPATH LIMITED (Finance)

NEWS INTERNATIONAL TELEVISION INVESTMENT COMPANY LIMITED (Finance)
News International Television Limited (Finance) (94%)
British Sky Broadcasting Group plc (40%) (Television broadcasting) (An associated undertaking of the Group)

NEWS TIMES HOLDINGS LIMITED (Finance)
News Publishers Limited (Finance) (Incorporated in Bermuda)

NEWS GERMANY HOLDING GmbH (Finance) (Incorporated in Germany) (79%)
Twentieth Century Fox Germany GmbH (Film licensing)
Fox Video Germany GmbH (Video distribution)

NEWS MULTIMEDIA LIMITED (CD-ROM and Multimedia publisher)

DELPHI INTERNET LIMITED (Consumer on line and Internet provider)

NEWS (UK) LIMITED* (Publishers of Today, closed in November 1995)

NEWS FINANCE PTY LIMITED *(Finance) (Incorporated in South Australia)

NEWS GERMAN TELEVISION HOLDING GmbH *(Television) (Incorporated in Germany)
Vox GmbH & Co. KG (Television broadcasting) (An associated undertaking of the Group)
(Incorporated in Germany) (49.9%)

NEWS OFFSET LIMITED *(Finance) (75%)

NEWS COLLINS LIMITED* (Finance)
Harper Collins (UK) (Book Publishing)

TWENTIETH CENTURY FOX HOME ENTERTAINMENT LIMITED* (Sale of pre-recorded video cassettes) (75.1%)

* Subsidiary undertakings owned directly by the Company.

Unless otherwise stated, the investments in subsidiary undertakings are in Ordinary shares and the subsidiary undertakings are wholly owned, incorporated and operate principally in Great Britain.

OTHER PRINCIPAL PARTICIPATING INTERESTS

NEWS AMERICA HOLDINGS INCORPORATED (20% of the Common stock and 47% of the Cumulative Preference stock) (Incorporated in USA)