

NEWS FINANCE PTY. LIMITED

FINANCIAL STATEMENTS

FOR THE

YEAR ENDED 30TH JUNE, 1990

NEWS FINANCE PTY. LIMITED

REPORT OF DIRECTORS

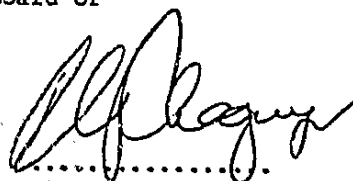
In accordance with the requirements of the Companies Act, 1981 your Directors report that:

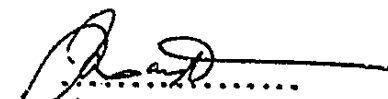
- (a) The names of the directors in office at the date of this report are :-

K.E. Cowley, A.O.
J.A. Macpherson
P.G. Chegwyn

- (b) The principal activity of the company in the course of the financial year was that of a finance company. There were no changes in the nature of activities during the financial year.
- (c) Operations for the financial year resulted in net operating profit of \$125,450,000 (1989 net operating loss \$16,844,000) including abnormal profit of \$22,775,000 (1989 loss \$18,366,000).
- (d) The directors do not recommend the payment of a dividend at this time. No amount has been paid or declared by way of dividend since the commencement of the financial year.
- (e) Since the end of the previous financial year no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and payable by directors shown in the accounts or received as the fixed salary of a full-time employee of the company or of a related corporation) by reason of a contract made by the company or by a related corporation with the director or with firm of which he is a member, or with a company in which he has a substantial financial interest.
- (f) The company is a company of the kind referred to in Sub-regulation 6 of Regulation 58 of the Companies Act, 1981 Regulations and amounts in this report and the accounts have been rounded off to the nearest thousand dollars in accordance with Section 271 of the Companies Act, 1981.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.


.....
Director


.....
Director

Sydney, 6th November, 1990.

**PANNELL
KERR
FORSTER**

CHARTERED ACCOUNTANTS

Pannell Kerr Forster
House,
234 Sussex Street
Sydney 2000 Australia
Tel: (02) 285 0555
Fax: (02) 267 1099
Insolvency:
Tel: (02) 285 0888
Fax: (02) 267 1911

AUDITORS' REPORT TO THE MEMBERS OF
NEWS FINANCE PTY. LIMITED

We have audited the accounts set out on pages 3 to 10 in accordance with Australian Auditing Standards.

In our opinion, the accounts present fairly the financial position at 30th June, 1990 and the results of the company for the year ended on that date in accordance with Applicable Approved Accounting Standards except as noted in Note 1 to the accounts.

Sydney, 6th November, 1990.

Pannell Kerr Forster

Pannell Kerr Forster
Chartered Accountants

B.E. Suttor

B.E. Suttor
Partner

Resident Partners:

Brian D. Fraser
Don W. Maher
John Reed
W.R. (Bob) Tracy

Clive R. Gergent
Paul J. Hennessy
John E. Star
Martin J. Green

Don O'Connor
Gill J. Levy
Ross L. Charge
Brian E. Suttor

John D. Scarle
Alan K. Moffat
Steve C. Woelke
John R. Vincent

Dan B. Pace

PKF

NEWS FINANCE PTY. LIMITED

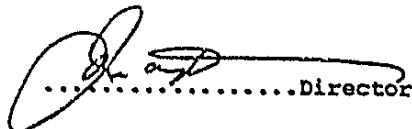
STATEMENT BY DIRECTORS

In the opinion of the Directors:

- (a) The accompanying Profit and Loss Account is drawn up so as to give a true and fair view of the result of the Company for the year ended 30th June, 1990.
- (b) The accompanying Balance Sheet is drawn up so as to give a true and fair view of the state of affairs of the Company as at that date.
- (c) The accounts have been made out in accordance with applicable approved accounting standards except as noted in Note 1. to the accounts.
- (d) As at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Signed this 6th day of November, 1990
in accordance with a resolution of Board of Directors.


.....Director


.....Director

NEWS FINANCE PTY. LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1990.

	Notes	1990 \$'000	1989 \$'000
Operating profit including abnormal items	2,3	224,269	930
Income tax attributable to operating profit	4	<u>98,839</u>	<u>17,774</u>
Operating profit/(loss) after income tax		125,450	(16,844)
Accumulated losses at the beginning of the year		(6,129)	(20,534)
Aggregate amount transferred from reserves			<u>31,249</u>
Total available for appropriation		119,321	(6,129)
Aggregate amounts transferred to reserves		<u>28,454</u>	
Retained Profits/(accumulated losses) at the end of the financial year		\$90,867	\$(6,129)
		=====	

The above Profit and Loss Account is to be read in conjunction with the accompanying notes.

NEWS FINANCE PTY. LIMITED

BALANCE SHEET AS AT 30TH JUNE, 1990

	Note	1990 \$'000	1989 \$'000
Current Assets			
Cash at bank		1	
Receivables		6,592	6,584
		<u>6,593</u>	<u>6,884</u>
Non Current Assets			
Receivables	5	1,108,279	982,033
Investments	6	2,946	2,946
		<u>1,111,225</u>	<u>984,979</u>
Total Non Current Assets			
		<u>1,111,225</u>	<u>984,979</u>
TOTAL ASSETS		<u>\$1,117,818</u>	<u>\$991,863</u>
Current Liabilities			
Creditors		5,966	5,461
		<u>5,966</u>	<u>5,461</u>
TOTAL LIABILITIES		<u>\$5,966</u>	<u>\$5,461</u>
Net Assets		<u>\$1,111,852</u>	<u>\$986,402</u>
SHAREHOLDERS' EQUITY			
Share capital	7	1,000,000	1,000,000
Reserves	8	20,985	(7,469)
Retained profits/(accumulated losses)		<u>90,867</u>	<u>(6,129)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>\$1,111,852</u>	<u>\$986,402</u>
Contingent liabilities	9		

The above Balance Sheet is to be read in conjunction with the accompanying notes.

NEWS FINANCE PTY. LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1990

NOTE

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Underlying Principle

The Financial Statements have been prepared on a basis consistent with previous years and in accordance with historical cost principles. Gains and losses described as extraordinary items in 1989, have been reclassified by the company in accordance with ASRB 1018 as abnormal items.

The financial statements have been prepared for a specific purpose and comply with the requirements of applicable approved accounting standards except in relation to ASRB 1017 Related Party Disclosures. They are not required to be prepared in accordance with the Companies Code due to the exemption granted to the Company under class order Number 633.

(b) Income Tax

The company follows tax effect accounting procedures. Income tax expense is calculated on the accounting profit after adjusting for permanent differences. Future income tax benefits relating to tax losses are not carried forward as an asset unless the benefit is virtually certain of being realised. Income taxes on cumulative timing differences are reflected in the balance sheet as future income tax benefit and deferred income tax at income tax rates in effect at balance date.

(c) Foreign Exchange

All realised and unrealised gains or losses of a trading nature are brought to account in operating profit as incurred. All realised and unrealised gains or losses of a non trading nature are included in the profit and loss account as an abnormal item.

	1990 \$'000	1989 \$'000
2 OPERATING PROFIT BEFORE ABNORMAL ITEMS		
Interest Received from Related Companies	516,755	269,263
Net Foreign Exchange Gain		1,606
and is after charging:-		
Interest Paid to Other Companies		185,450
Related Corporations	320,241	66,123

NEWS FINANCE PTY. LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1990.

NOTE	1990 \$'000	1989 \$'000
3 PROFIT ON ABNORMAL ITEMS		
Foreign Exchange Gains/(losses)	27,775	(18,366)
4 INCOME TAX		
Income tax expense attributable to operating profit	98,839	17,774
Total Income Tax	\$98,839	\$17,774
Reconciliation of tax expense with prima facie tax		
Operating Profit	196,514	19,296
Abnormal items	27,775	(18,366)
	\$224,289	\$930
Prima facie tax	87,473	363
Tax expense	98,839	17,774
Difference	\$(11,366)	\$(17,411)
Difference due to:-		
Tax effect of		
Unrealised exchange movements	11,097	(12,187)
Items not tax effected	(17,889)	(9,798)
Tax benefit received on losses transferred	94,265	4,574
Consideration paid for losses transferred	(98,839)	
Total	\$(11,366)	\$(17,411)
Total income tax expense comprises		
Amount attributable to - current year	94,265	
- prior years	4,574	
Deductions to future income tax benefit		17,774
	\$98,839	\$17,774

NEWS FINANCE PTY. LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1990

NOTE	1990 \$'000	1989 \$'000
5 NON CURRENT ASSETS		
Receivables - Non Current		
Related companies		
Amounts owing by		
Related corporations	4,415,418	3,748,151
Amounts owing to		
Related corporations	(3,307,139)	(2,766,118)
	<u>\$1,108,279</u>	<u>\$982,033</u>

Net Non Current receivables are denominated
in the following currencies

(Australian dollar equivalents are shown)

Australian Dollars	1,239,929	1,065,013
Pounds Sterling	333,707	611,932
United States Dollars	(465,357)	(694,912)
	<u>\$1,108,279</u>	<u>\$982,033</u>
	=====	=====

The amounts receivable from related corporations include two debts from companies which have deficiencies of shareholders funds amounting to \$808,565,000. No provision has been made for this deficiency because their ultimate holding company, The News Corporation Limited, has undertaken to financially support those companies.

6 INVESTMENTS		
Shares in related companies		
At cost - non listed	\$2,946	\$2,946
	=====	=====

7 SHARE CAPITAL

Share Capital		
Authorized - 1,000,010,000		
ordinary shares of \$1 each	1,000,010	1,000,010
	=====	=====
Issued Capital - 1,000,000,002		
ordinary shares of \$1.00 each	1,000,000	1,000,000
	=====	=====

NEWS FINANCE PTY. LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1990.

NOTE	1990 \$'000	1989 \$'000
8 RESERVES		
Foreign Exchange	\$20,985	\$(7,469)
	=====	=====
MOVEMENT IN RESERVES		
Balance at beginning of year	(7,469)	23,780
Amount appropriated from/(to) profit and loss account	28,454	(31,249)
	=====	=====
	\$20,985	\$(7,469)
	=====	=====
9 CONTINGENT LIABILITIES		
Guarantee, jointly with certain related corporations, to indemnify Bankers in respect of those corporations' overdraft facilities amounting to	\$10,615	\$8,855
	=====	=====
10 DIRECTORS REMUNERATION		
The relevant information pertaining to the Remuneration of Directors is that of the ultimate holding company, The News Corporation Limited. Note 24 of The News Corporation Limited 1990 Annual Report details Directors Remuneration.		
11 RELATED PARTIES		
News Finance Pty. Limited have a significant number of transactions with related companies. As News Finance Pty. Limited is ultimately a wholly owned subsidiary of The News Corporation Limited and the related parties are also ultimately under the control of The News Corporation Limited, transactions with those parties eliminate on consolidation or are not material to those accounts. It has not been deemed necessary to include the information required by ASRB 1017 "Related Party Disclosures" in these accounts.		
12 SEGMENT INFORMATION		
The company operates predominantly as a finance company and conducts its operations wholly in Australia.		

NEWS FINANCE PTY. LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 1990.

NOTE

1990
\$'000

1989
\$'000

13 STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS

SOURCES OF FUNDS

Inflow of funds from operations	544,530	270,869
Outflow of funds from operations	(320,241)	(251,573)
	224,289	19,296
Issue of shares		1,000,000
Decrease in cash at bank		2
Decrease in current receivables	292	
Increase in non current liabilities - related companies	541,021	
Increase in current liabilities	505	
	\$766,107	\$1,019,298

APPLICATIONS OF FUNDS

Increase in cash at bank	1	
Increase in current receivables		6,884
Increase in non current receivables - related companies	667,267	967,916
Decrease in trade and other creditors		44,498
Consideration paid for tax losses	98,839	
	\$766,107	\$1,019,298

News
International
plc

1990
Annual Report

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News International plc

Directors and officers

<i>Directors</i>	R. H. Searby, Q.C.	<i>Chairman</i>
	A. S. B. Knight	<i>(Appointed 9 April 1990) Executive Chairman</i>
	K. R. Murdoch	<i>Managing Director</i>
	*Lord Catto	
	A. A. Fischer	<i>(Appointed 12 December 1989)</i>
	L. J. Holloway	
	W. A. O'Neill	
	M. Ruda	
	R. A. Sarazen	
	*J. R. C. Sheldon	
	P. W. Stehrenberger	<i>Finance Director</i>
	C. M. Wilson	<i>(Appointed 16 March 1990)</i>
	*P. R. Ekberg	<i>(Resigned 15 February 1990)</i>
	B. Hundertmark	<i>(Resigned 18 May 1990)</i>
	S. Land	<i>(Resigned 9 April 1990)</i>
	*H. M. Rich	<i>(Resigned 5 January 1990)</i>

Secretary E. Rogers F.C.I.S.

Head office P.O. Box 495,
Virginia Street,
London E1 9XY

Registered office P.O. Box 495,
Virginia Street,
London E1 9XY

Registrars National Westminster Bank PLC,
Registrar's Department, P.O. Box 82,
Caxton House, Redcliffe Way,
Bristol BS99 7NH

Auditors Arthur Andersen & Co.,
1 Surrey Street,
London WC2R 2PS

Bankers Midland Bank plc

**Non-executive*

Directors' report for the year ended 30 June 1990

The Directors present their annual report on the affairs of News International plc ("the Company") and its subsidiaries ("the Group") together with the accounts and auditors' report for the year ended 30 June 1990.

Principal activities

The principal activities of the Group are the printing and publishing of national newspapers in the United Kingdom and television broadcasting by satellite. The Group's other activities include the publishing of magazines, the manufacture and sale of paper, warehousing, transportation, the rental of satellite television receiving equipment, financial services and the leasing of the rights to a feature film. An analysis of turnover and profit/loss for these activities is given in note 1 to the accounts.

Business review

Operating profits from the Group's newspapers in the United Kingdom were slightly below the previous year, mainly as a result of reduced advertising volumes.

The operating losses at Sky Television were £95 million; however by July, Sky's programming was received in 1.6 million homes in the United Kingdom and Eire and the number of homes connected is increasing. The Directors have decided to adopt a more prudent accounting policy for the costs attributable to the development and implementation of Sky's multi-channel broadcasting. Costs are now written off as incurred rather than being deferred and amortised. This decision was made notwithstanding that Sky is performing in accordance with its long term strategic business plan. Development and implementation ceased during the year and associated costs in the year

amounted to just under £59 million. The costs have been classified as an exceptional item. The 1989 comparatives have been restated to reflect this change in accounting policy and accordingly £75 million has been written off against last year's result.

Interest costs are higher due to financing the increased investment in related companies, the investment in Sky Television, major capital expenditure and higher interest rates.

Following a restructuring of the Group's undertaking to Martin The Newsagent Limited and a reappraisal of the Company's investment in Circle K (UK) Holdings Limited, the carrying values of these investments have been reduced by an extraordinary charge of £35 million.

The Directors expect that the advertising market in the UK will continue to be difficult throughout the coming year, restricting any increase in profits of the newspapers although Sky Television's business continues to expand and revenue should improve significantly. The Group's £500 million capital expansion in plant and presses for the newspapers at Wapping and at Knowsley, near Liverpool, now nearing completion, will provide a significant increase in printing capacity and facilities for colour printing.

During the year the Group acquired a 25% interest in the share capital of Grupo Zeta, a major publishing group in Spain; the entire share capital of F. F. Publishing Limited, publisher of "Car" and "Supercar Classics"; the entire share capital of Broadsystem Limited, a telephone publishing company in the United Kingdom and 50% of the share capital of Mai Nap Rt and Reform Rt, publishers of newspapers and magazines in Hungary.

Directors' report for the year ended 30 June 1990 continued

Publishing rights and titles

Certain of the Group's United Kingdom newspaper and magazine titles have been incorporated in the consolidated balance sheet at a valuation of £1,068 million placed on them by the Directors, who have been advised by Hambros Securities Limited. The valuation represents the amount that it was estimated could be realised at 30 June 1990, if the titles were to be disposed of on their own, unaccompanied by the assets and other rights and interests which go to make up the associated businesses taken as a whole.

Results and dividends

Group results, dividends (paid and proposed) and recommended transfers to reserves are as follows:

	£000's
Group loss for the year after taxation and extraordinary items and minority interests	(276,762)
Dividends	(88)
Preference dividends	(88)
On Special Dividend shares - interim paid 20 April 1990 of 2.2367p per share	(3,862)
- final proposed of 2.125p per share	(3,669)
Amount transferred to retained profits	(284,381)

Directors and their interests

The Directors of the Company during the year are shown on page 2.

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

Details of shares in the Company held by Directors and their associates are as follows:

	Special Dividend shares of 25p		Ordinary shares of 25p	
	30 June 1990	30 June 1989	30 June 1990	30 June 1989
K. R. Murdoch	-	-	4,000*	4,000*
Lord Catto	401,712	401,712	-	-
P. W. Stehrenberger	-	-	4,000*	4,000*
C. M. Wilson	1,015	N/A	-	-

*Non-beneficial

According to the register maintained for the purpose, the interests of the Directors of the Company in Ordinary shares of The News Corporation Limited, the ultimate holding company, are as follows:

	Ordinary shares of 50 cents Australian in The News Corporation Limited		Options on Ordinary shares of 50 cents Australian in The News Corporation Limited at Aus\$ 10.22 or Aus\$ 11.30	
	30 June 1990	30 June 1989	30 June 1990	30 June 1989
R. H. Searby	8,500	8,500	100,000	100,000
K. R. Murdoch	7,200	7,200	-	-
Lord Catto	90,000	90,000	-	-
L. J. Holloway	-	-	20,000	20,000
W. A. O'Neill	8,000	8,000	50,000	50,000
M. Ruda	-	-	30,000	30,000
R. A. Sarazen	7,920	7,920	100,000	100,000
J. R. C. Sheldon	-	-	-	-
P. W. Stehrenberger	1,500	-	40,000	40,000
A. S. B. Knight	-	N/A	-	N/A
A. A. Fischer	-	N/A	100,000	N/A
C. M. Wilson	660	N/A	50,000	N/A

Mr. K. R. Murdoch is deemed to have a relevant interest in shares of The News Corporation Limited in which the undermentioned companies have interests as follows:

	Ordinary shares of 50 cents Australian in The News Corporation Limited	
	30 June 1990	30 June 1989
Cruden Investments Pty. Limited	116,133,648	116,133,648
Kayarem Pty. Limited	4,118,000	4,018,000

No changes in the above interests of the Directors have been notified to the Company since the year end, except Mr A. A. Fischer was granted an additional 50,000 options on Ordinary shares of 50 cents Australian in The News Corporation Limited.

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

Non-executive Directors

Lord Catto, merchant banker and Honorary President of Morgan Grenfell Group plc, has been a non-executive Director since March 1969.

J. R. C. Sheldon was appointed a Director of News International plc in May 1977 and was Managing Director of Townsend Hook Limited from September 1969 to December 1988. He has been a non-executive Director of the Company since December 1988.

Directors' report for the year ended 30 June 1990 continued

Substantial shareholdings

The Company has received notification from Newscorp Investments Limited of the following interests in its share capital as at 23 August 1990:

	Number of shares	Percentage held
Ordinary shares	218,108,000	100%
Special Dividend shares	141,791,628	82%

Newscorp Investments Limited is a wholly owned subsidiary of The News Corporation Limited, a company incorporated in South Australia.

No other notifications have been received of shareholdings in excess of 3%.

Close company status

In the opinion of the Directors, the Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Charitable and political contributions

Charitable contributions made by the Group in the financial year amounted to £484,337 (1989 - £524,994). There have been no political contributions made during the year (1989 - 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

It is the policy of the Group to develop employee involvement throughout the organisation and to ensure that they are aware of the financial and economic factors affecting the Company and its subsidiaries.

Communications meetings between management and employees' representatives are held both formally and informally, where matters of specific interest are discussed. Consultation with employees or their representatives occurs on a regular basis covering pensions, health and safety and their views are taken into consideration when making decisions. A wide range of training programmes is held at subsidiary level for employees where specific courses appropriate to their type of business are run.

Capital gains tax

For the information of shareholders, the market valuation of News International plc shares on 6 April 1965 and 31 March 1982 for the purpose of capital gains tax was:

	6 April 1965	31 March 1982
4.9% First Cumulative Preference shares of £1 each	102p	45p
5.6% Second Cumulative Preference shares of £1 each	111p	48p
Special Dividend shares of 25p each (previously Ordinary shares of 25p each) as adjusted for subsequent bonus issues	8p	22p
Special Dividend shares of 25p each (previously Non-Voting Ordinary shares of 25p each*) as adjusted for subsequent bonus issues	8p	22p

*These shares were converted to Ordinary shares on 12 June 1973.

Auditors

The Directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen & Co. as auditors for the ensuing year.

By order of the Board
E. Rogers F.C.I.S.
Secretary

23 August 1990

News
International
plc

Auditors' report

TO THE MEMBERS OF
NEWS INTERNATIONAL plc

We have audited the accounts set out on pages
7 to 34 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair
view of the state of affairs of the Company
and of the Group at 30 June 1990 and of the
Group loss and source and application of funds
for the year then ended, and have been properly
prepared in accordance with the Companies
Act 1985.

ARTHUR ANDERSEN & CO.
Chartered Accountants
London

23 August 1990

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.

The Group's accounting policies have been applied consistently throughout the year and the preceding year with the exception of the change in policy for accounting for development and implementation costs described below.

Basis of consolidation

The Group accounts are made up to 30 June 1990 and consolidate the accounts of News International plc and all its subsidiaries.

The results of subsidiaries 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.

No profit and loss account is presented for the Company, as provided by s228 of the Companies Act 1985.

Related companies

Companies, not being subsidiaries, in which the Group has an interest comprising not less than 20% of the voting capital and over which it exerts significant influence are treated as associated companies. Such companies which are listed on page 34 are also 'related' companies as defined by the Companies Act 1985. The consolidated profit and loss account includes the appropriate share of these companies' profits or losses for the year and the Group's share of post acquisition retained profits/losses and reserves is added to the cost of investment in the consolidated balance sheet. Goodwill is included in cost of associated companies.

Related companies over which the Group does not exert significant influence are treated as investments. All such related companies are subsidiaries of the ultimate holding company.

Goodwill

Goodwill (representing the excess of the purchase price over the fair value of the net tangible assets and identifiable 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.

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

Publishing rights and titles are stated at cost or valuation. Revaluations are undertaken triennially. No depreciation 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.

Provision for corporation tax on capital gains that could arise in the event of disposal of these assets (see note 13) at their revalued amounts has not been made since there are currently no plans for their disposal.

Stocks, work-in-progress and television programme rights

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.

Principal accounting policies continued

Television programme rights are stated at cost less accumulated amortisation. Provisions are made for any excess or obsolete programme rights. Direct costs of own productions are included within the cost of programme rights. Cost of programme rights, and the related liability, are recorded at cost when the programmes are both available for transmission and payable under contract terms.

Contractual obligations for programme rights not yet available for transmission are not included in the cost of television programme rights but are disclosed under future capital expenditure, authorised and contracted for, in note 26.

Amortisation is provided to write off the costs of television programme rights as follows:

Sports and current affairs	- 100% on first showing
General entertainment	- Reducing balance on each transmission
Movies	- Straight-line basis over period of transmission rights.

The current portion of programme rights represents the estimated amount to be amortised in the next financial year. The related liabilities are classified as current or non-current in accordance with payment terms.

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. For the purpose of consolidation, the closing rate method is used to translate balance sheets of subsidiaries maintained in foreign currencies and the related translation gains or losses are shown as a movement on reserves; profit and loss accounts are translated at average exchange rates ruling

during the year. When foreign currency borrowings are used to finance foreign equity 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.

Development and implementation costs

Costs attributable to the development and implementation by Sky Television of multi-channel broadcasting are written off as incurred and classified as an exceptional item. This represents a change from the prior year policy of deferring and amortising such costs. The comparatives have been restated, as detailed in note 25, to reflect this change in accounting policy which has been adopted as the Directors consider it gives a more conservative presentation of the financial position of the business.

Deferred taxation

Provision is made at appropriate rates for the taxation effects arising from all timing differences other than those which are expected by the Directors to continue within the foreseeable future. The amounts provided and the full potential liability are set out in note 22.

Turnover

Turnover is the amount receivable by the Group in the ordinary course of its business, excluding value added tax and transactions within the Group.

Tangible fixed assets and depreciation

Land and buildings are stated at cost or valuation. Plant (including satellite television receiving equipment), 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 added to their cost.

Principal accounting policies continued

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 course of construction which will be amortised from the date of completion.

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.

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	- 5% to 33% per annum
Motor vehicles	- 25% per annum
Fixtures and fittings	- 10% to 15% 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 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.

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.

Pension costs

In accordance with the provisions of SSAP 24, pension costs are charged to the profit and loss account 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 payments basis. Contributions to defined benefit schemes comprise:

- The regular pension cost, that is the consistent ongoing cost, calculated as a level percentage of the current and expected future pensionable payroll.
- 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 fund for the year are recorded as creditors or prepayments as appropriate.

Revaluation reserve

Surpluses arising on the revaluation of fixed assets and investments are transferred to a revaluation reserve (see note 24). Where depreciation charges are increased following a revaluation, an amount equal to such 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/loss before taxation.

Consolidated profit and loss account

For the year ended 30 June 1990

	Notes	1990 £000's	1989 as restated (see note 25) £000's
Turnover	1	796,497	785,365
Cost of sales		(515,844)	(407,824)
Gross profit		280,653	377,541
Other operating expenses (net)	2	(218,434)	(202,722)
Exceptional costs	3	(123,139)	(90,881)
Operating (loss)/profit		(60,920)	83,938
Investment income	4	190,748	167,578
Interest payable and similar charges	5	(395,547)	(306,245)
Loss on ordinary activities before taxation	1 & 6	(265,719)	(54,729)
Tax credit/(charge) on loss on ordinary activities	8	20,713	(9,115)
Loss on ordinary activities after taxation		(245,006)	(63,844)
Minority interests		3,244	804
Loss before extraordinary items		(241,762)	(63,040)
Extraordinary items less taxation	9	(35,000)	232,909
(Loss)/profit for the financial year		(276,762)	169,869
Dividends paid and proposed	10	(7,619)	(8,684)
Retained (loss)/profit for the year	11	(284,381)	161,185
Loss per share	12	(61.9p)	(10.2p)

Details of movements on reserves are shown in note 24.

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

Consolidated balance sheet

30 June 1990

		1990	1989
			as restated
			(see note 25)
	Notes	£000's	£000's
Fixed assets			
Intangible assets	13	1,086,886	450,222
Tangible assets	14	769,279	360,605
Investments	15	2,842,020	3,168,750
		<u>4,698,185</u>	<u>3,979,577</u>
Current assets			
Stocks	16	82,729	72,445
Debtors	17	1,057,988	525,583
Investments	18	10,390	14,969
Cash at bank and in hand	19	5,627	46,713
		<u>1,156,734</u>	<u>659,710</u>
Creditors			
Amounts falling due within one year	20	(1,259,338)	(693,306)
Net current liabilities		<u>(102,604)</u>	<u>(33,596)</u>
Total assets less current liabilities		4,595,581	3,945,981
Creditors			
Amounts falling due after more than one year	21	(3,272,321)	(2,844,191)
Provisions for liabilities and charges	22	—	(20,778)
Net assets		<u>1,323,260</u>	<u>1,081,012</u>
Capital and reserves			
Called up share capital	23	99,391	99,391
Revaluation reserve	24	1,082,885	467,392
Profit and loss account	24	140,924	510,913
Shareholders' funds		<u>1,323,200</u>	<u>1,077,696</u>
Minority interests		60	3,316
Total capital employed		<u>1,323,260</u>	<u>1,081,012</u>

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

News International plc

Company balance sheet

30 June 1990

	Notes	1990 £000's	1989 £000's
Fixed assets			
Tangible assets	14	278,371	184,024
Investments	15	3,436,535	3,390,544
		<u>3,714,906</u>	<u>3,574,568</u>
Current assets			
Debtors	17	1,057,708	682,125
Investments	18	4,540	—
Cash at bank and in hand	19	24,283	69,621
		<u>1,086,531</u>	<u>751,746</u>
Creditors			
Amounts falling due within one year	20	(1,570,454)	(1,386,287)
Net current liabilities		<u>(483,923)</u>	<u>(634,541)</u>
Total assets less current liabilities		<u>3,230,983</u>	<u>2,940,027</u>
Creditors			
Amounts falling due after more than one year	21	(2,973,885)	(2,650,352)
Provisions for liabilities and charges	22	—	(10,136)
Net assets		<u>257,098</u>	<u>279,539</u>
Capital and reserves			
Called up share capital	23	99,391	99,391
Revaluation reserve	24	47,810	47,894
Profit and loss account	24	109,897	132,254
Total capital employed		<u>257,098</u>	<u>279,539</u>

Signed on behalf of the Board

K. R. Murdoch }
P. W. Stehrenberger } Directors

23 August 1990

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

Consolidated statement of source and application of funds

For the year ended 30 June 1990

	1990		1989 as restated (see note 25)	
Sources	£000's	£000's	£000's	£000's
Extraordinary items before taxation		-		757,767
Net liabilities assumed by purchasers of subsidiaries		-		63,509
Sale of intangibles and tangible fixed assets (net of expenses)		989		1,706
Investments		502,488		383,325
Proceeds from loans		886,560		1,003,293
Increase in other long term creditors		113,608		-
Decrease in other debtors due after more than one year		127,902		-
Decrease in working capital		-		22,651
		<u>1,631,547</u>		<u>2,232,251</u>
Applications				
Loss on ordinary activities before taxation		265,719		54,729
Adjustments for items not involving the movement of funds:				
Profit retained in associated companies before taxation	1,306		1,645	
Depreciation, amortisation and net amounts written off investments	(37,094)		(22,296)	
Exceptional write down of plant	(53,800)		(15,547)	
Net profit on sale of tangible fixed assets	447		338	
Bonus issue of investment	-		482	
		<u>(89,141)</u>		<u>(35,378)</u>
		176,578		19,351
Loans repaid		246,708		70,651
Capital expenditure		498,328		131,133
Purchase of publishing rights		8,766		5,625
Investments		339,273		1,803,279
Goodwill of subsidiaries		3,920		3,112
Minority interest in subsidiaries		12		(3,058)
Decrease in other long term creditors		-		11,628
Increase in debtors due after more than one year		-		63,764
Dividends paid		8,130		8,675
Taxation paid/(received)		5,489		(3,341)
Increase in working capital		720,040		-
		<u>2,007,244</u>		<u>2,110,819</u>
		<u>(375,697)</u>		<u>121,432</u>
(Decrease)/Increase in net liquid funds				
Cash at bank and in hand		(41,086)		24,346
Bank loans and overdrafts		(334,611)		91,086
		<u>(375,697)</u>		<u>121,432</u>
Increase/(Decrease) in working capital				
Stocks		10,284		50,382
Debtors		656,896		116,988
Creditors		52,860		(190,021)
		<u>720,040</u>		<u>(22,651)</u>

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

Notes to the accounts

1. Principal activities of the Group

Contributions to turnover and loss on ordinary activities before taxation were as follows:

	Turnover		Profit/(loss) before taxation	
	1990	1989	1990	1989
	£000's	£000's	£000's	£000's
Printing and publishing	675,988	600,589	142,198	161,022
Television broadcasting	36,604	7,071	(153,539)	(81,264)
Manufacture and sale of paper	76,992	75,181	12,330	14,137
Warehousing and transport	6,564	7,977	(511)	(700)
Other activities including interest	349	14,552	(266,197)	(147,924)
	<u>796,497</u>	<u>785,365</u>	<u>(265,719)</u>	<u>(54,729)</u>

Materially all turnover and profit/(loss) before taxation arose in the UK in both 1990 and 1989.

2. Other operating expenses (net)

	1990	1989
	£000's	£000's
Distribution costs	50,535	44,216
Selling and marketing costs	68,713	66,357
Administrative expenses	109,594	104,811
	<u>228,842</u>	<u>215,384</u>
Other operating income	(10,408)	(12,662)
	<u>218,434</u>	<u>202,722</u>

3. Exceptional costs

Details of exceptional costs are as follows:

	1990	1989
	£000's	£000's
Write down of plant and equipment and associated costs including write down of existing newspaper printing presses to be replaced by new colour presses	64,600	15,547
Sky Television broadcasting development and implementation costs	58,539	75,334
	<u>123,139</u>	<u>90,881</u>

The Directors consider that the development and implementation period for Sky Television's broadcasting activities ended on 31 August 1989 (28 February 1990 in the case of the movie channel).

4. Investment income

	1990	1989
	£000's	£000's
Share of profits less losses of associated companies before taxation	1,306	1,645
Royalty income from fellow subsidiary companies in USA	-	9,456
Income from loans to fellow subsidiary and related companies	169,008	137,786
Income from fixed asset investments:		
- listed	13,351	9,058
- unlisted	11	1,787
Income from current asset investments:		
- listed	321	1,191
Other interest receivable and similar income	6,751	6,655
	<u>190,748</u>	<u>167,578</u>

Notes to the accounts continued

5. Interest payable and similar charges

	1990 £000's	1989 £000's
On bank loans, overdrafts and other loans:		
- repayable within five years, by instalments	28,307	12,969
- repayable within five years, not by instalments	111,874	125,618
	<hr/>	<hr/>
On all other loans	140,181	130,587
	281,851	212,516
	<hr/>	<hr/>
Less: interest capitalised (see note 14)	422,032	351,103
interest included in extraordinary items	(26,485)	(10,285)
	-	(34,573)
	<hr/>	<hr/>
	395,547	306,245
	<hr/>	<hr/>

£206,635,000 (1989 - £132,017,000) of the above interest is payable to fellow subsidiary companies.

6. Loss on ordinary activities before taxation

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

	1990 £000's	1989 £000's
Rent receivable (net)	(453)	(242)
Depreciation of tangible fixed assets	35,312	21,144
Amortisation of goodwill	1,774	1,816
Hire of plant and machinery	545	715
Auditors' remuneration	655	578
Net gain on sale of fixed assets	(447)	(338)
Staff costs (see note 7)	169,110	149,211
	<hr/>	<hr/>

7. Staff costs

Particulars of employees of the Group (including executive Directors) are as shown below:

	1990 £000's	1989 £000's
Employee costs during the year amounted to:		
Wages and salaries	148,854	131,145
Social security costs	12,987	11,501
Other pension costs	7,269	6,562
	<hr/>	<hr/>
	169,110	149,211
	<hr/>	<hr/>

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

	1990 Number	1989 Number
Printing and publishing	4,705	4,724
Television broadcasting	869	550
Manufacture and sale of paper	643	640
Warehousing and transport	186	252
Other activities	294	620
	<hr/>	<hr/>
	6,697	6,786
	<hr/>	<hr/>

Notes to the accounts continued

7. Staff costs continued

Directors' remuneration:

The employee costs, shown above, include the following remuneration in respect of Directors of News International plc:

	1990 £000's	1989 £000's
Salaries as executives	489	428
Other emoluments (including pension contributions)	133	103
Pensions paid to former Directors or their dependants	11	-
Compensation for loss of office	75	-
	<u>708</u>	<u>531</u>

The following received emoluments (excluding pensions and pension contributions) of:

Chairman	-	-
Executive Chairman	69	-
Highest paid Director	<u>126</u>	<u>134</u>

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

	1990 Number	1989 Number
Up to £ 5,000	3	4
£ 5,001 - £ 10,000	3	1
£ 10,001 - £ 15,000	1	1
£ 15,001 - £ 20,000	-	1
£ 20,001 - £ 25,000	1	-
£ 25,001 - £ 30,000	1	-
£ 30,001 - £ 35,000	1	-
£ 35,001 - £ 40,000	-	-
£ 40,001 - £ 45,000	-	-
£ 45,001 - £ 50,000	1	-
£ 50,001 - £ 55,000	-	2
£ 55,001 - £ 60,000	-	1
£ 60,001 - £ 65,000	-	1
£ 65,001 - £ 70,000	1	-
£ 70,001 - £ 75,000	2	-

Certain executive Directors are also remunerated by The News Corporation Limited and fellow subsidiaries for services as officers of those companies.

Higher paid employees:

Employees of the Group, other than Directors, whose duties were wholly or mainly discharged in the United Kingdom, received remuneration (excluding pensions and pension contributions) in the following ranges:

	1990 Number	1989 Number
£ 30,000 - £ 35,000	559	400
£ 35,001 - £ 40,000	277	170
£ 40,001 - £ 45,000	146	83
£ 45,001 - £ 50,000	70	44
£ 50,001 - £ 55,000	45	13
£ 55,001 - £ 60,000	31	9
£ 60,001 - £ 65,000	8	-
£ 65,001 - £ 70,000	6	2
£ 70,001 - £ 75,000	9	-
£ 75,001 - £ 80,000	4	2
£ 80,001 - £ 85,000	1	2
£ 85,001 - £ 90,000	2	1

Notes to the accounts continued

7. Staff costs continued

	1990 Number	1989 Number
£ 90,001 - £ 95,000	1	-
£ 95,001 - £100,000	-	2
£100,001 - £105,000	1	1
£105,001 - £110,000	2	1
£110,001 - £115,000	1	1
£115,001 - £120,000	-	1
£120,001 - £125,000	1	-
£125,001 - £130,000	1	-
£130,001 - £135,000	1	-
£135,001 - £140,000	1	-
£140,001 - £145,000	-	1
£145,001 - £150,000	1	-
£150,001 - £155,000	1	-
£155,001 - £160,000	-	-
£160,001 - £165,000	-	-
£165,001 - £170,000	-	-
£170,001 - £175,000	-	-
£175,001 - £180,000	-	-
£180,001 - £185,000	-	-
£185,001 - £190,000	-	-
£190,001 - £195,000	-	-
£195,001 - £200,000	-	-
£200,001 - £205,000	-	-

Pensions

The Group operates a number of pension schemes. The major scheme which covers 69% (1989 - 64%) of executive, staff and works personnel is a defined contribution scheme, the remainder are defined benefit schemes. The assets of all pension schemes are held in separate administered funds. 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 a qualified actuary on a triennial basis.

The total pension cost for the Group was £7,269,000 (1989 - £6,562,000) of which £5,016,000 (1989 - £3,570,000) relates to the defined contribution scheme and £2,253,000 (1989 - £2,992,000) to the defined benefit schemes.

The latest actuarial valuations on the majority of the plans were prepared as at 1 July 1989. The assumptions which have the most significant effect on the results of these valuations 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 1% behind growth of returns on investments and that increases to pensions in payment would be granted at 3% per annum in the majority of schemes.

These valuations have generally disclosed surpluses of assets over past service liabilities. The overall level of funding was 102%. These surpluses will be eliminated by revisions to the contribution rate or by improved benefits. Pension costs charged in the profit and loss account, reflect these actuarially determined contribution rates.

The most recent actuarial valuations showed that the combined market values of the assets of the schemes were £315,096,000 (1989 - £272,000,000).

8. Tax on loss on ordinary activities

	1990 £000's	1989 £000's
The tax credit/(charge) is based on the loss for the year:		
Corporation tax at 35%	-	(1,726)
Deferred taxation arising from		
- timing differences on property, plant and equipment	9,567	(8,655)
- short-term timing differences	11,234	2,055
Overseas taxation	(791)	(955)
	20,010	(9,281)
Less relief for overseas taxation	-	4
	20,010	(9,277)
Taxation attributable to franked investment income	(3,521)	(3,009)
Taxation recoverable by offset of losses	3,421	-
Taxation attributable to income of associated company	(650)	(1,437)
	19,360	(13,723)
Adjustments in respect of prior years	1,353	4,608
	20,713	(9,115)

No UK tax has been provided on the profits of overseas subsidiary companies where there is no intention of remitting such profits to the UK.

Notes to the accounts continued

9. Extraordinary items less taxation	1990 £000's	1989 £000's
Gain on sale of assets	-	295,268
Write off of deferred interest costs	-	(32,359)
Restructuring of undertaking to Martin The Newsagent Limited	(10,000)	-
Write down of investment in Circle K (UK) Holdings Limited	(25,000)	-
	<u>(35,000)</u>	<u>262,909</u>
Less: current taxation thereon	-	(30,000)
	<u>(35,000)</u>	<u>232,909</u>

At 30 June 1989, the Company had an undertaking to a bank with respect to £30,000,000 of loans taken out by a former related company, Martin The Newsagent Limited ("Martins"). In 1990, the Company restructured this undertaking by providing a £30,000,000 loan to Martins and subscribing for shares in Panfida Group plc ("Panfida"), Martins' parent company, at a cost of £10,000,000 (the capital raised by Panfida to be used to finance the future operations of Martins). At the date of the Company's investment, a Circular to Shareholders of Panfida reflected proforma consolidated net liabilities of the Panfida group at 30 June 1989 of approximately £24,000,000. Accordingly, through fair value accounting, the Company's £10,000,000 investment was all attributed to goodwill and, given Panfida's financial position, written off immediately.

During the year, the Directors decided that the Company's investment in Circle K (UK) Holdings Limited should no longer be regarded as a long term investment. Accordingly, the investment has been transferred from fixed asset investments to current asset investments (as reflected in notes 15 and 18) and has been written down to its estimated net realisable value of £4,540,000. This resulted in an extraordinary write down of £25,000,000.

10. Dividends	1990 £000's	1989 £000's
On Preference shares	88	98
On Special Dividend shares		
Interim paid - 2.2367p per share (1989 - 2.5575p)	3,862	4,416
Final proposed - 2.125p per share (1989 - 2.421p)	3,669	4,160
	<u>7,619</u>	<u>8,684</u>

11. Retained (loss)/profit for the year	1990 £000's	1989 £000's
The Company	(179,523)	198,126
Subsidiary companies	(105,514)	(36,771)
Associated companies	656	(170)
	<u>(284,381)</u>	<u>161,185</u>

12. Loss per share
The calculation is based on a loss of £241,830,000 (1989 - loss as restated of £63,128,000) before extraordinary items and after Preference Dividends, divided by 390,764,000 being the average number of Ordinary and Special Dividend shares in issue during the year (see note 23).

13. Intangible fixed assets	1990	Group 1989
	£000's	£000's
Publishing rights and titles	1,076,766	443,658
Goodwill on consolidation	10,120	6,564
	<u>1,086,886</u>	<u>450,222</u>

Notes to the accounts continued

13. Intangible fixed assets continued

The movement in the year was as follows:

	£000's Publishing rights and titles	Group £000's Goodwill
<i>Cost or valuation</i>		
Beginning of year	443,658	6,983
Additions	8,766	3,920
Revaluation of publishing rights and titles net (see note 24)	624,542	-
End of year	1,076,766	10,903
<i>Amortisation</i>		
Beginning of year	-	419
Amortisation in year	-	364
End of year	-	783
<i>Net book value</i>		
Beginning of year	443,658	6,564
End of year	1,076,766	10,120

All of the Group's United Kingdom newspaper titles and certain magazine titles have been incorporated in the consolidated balance sheet at a valuation of £1,068,000,000 placed on them at 30 June 1990 by the Directors, who were advised by Hambros Securities Limited. The valuation represents the amount that it was estimated could be realised, at 30 June 1990, if the titles were to be disposed of on their own, unaccompanied by the assets and other rights and interests which go to make up the associated businesses taken as a whole. Corporation tax that could arise (maximum of £373,800,000) 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.

The original cost of publishing rights and titles is £82,956,000 (1989 - £74,198,000).

The addition to goodwill represents the goodwill arising on the acquisition of Broadsystem Limited (see note 15). No material fair value adjustments were made to the assets and liabilities of Broadsystem Limited on acquisition by the Company.

14. Tangible fixed assets

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
The net book value of tangible fixed assets comprises:				
Freehold land and buildings	32,091	16,487	25,698	9,770
Leasehold land and buildings	115,972	110,987	115,409	109,944
Plant, motor vehicles, fixtures and fittings	202,504	91,589	218	478
Plant and equipment under finance leases	138,347	9,122	-	-
Assets in course of construction	280,365	132,420	137,046	63,832
	769,279	360,605	278,371	184,024

Group

(a) The movement in the year was as follows:

	Freehold land and buildings £000's	Leasehold land and buildings £000's	Plant, motor vehicles, fixtures and fittings £000's	Plant and equipment under finance leases £000's	Assets in course of construction £000's	Total £000's
<i>Cost or valuation</i>						
Beginning of year	18,088	116,168	160,574	16,084	132,420	443,332
Additions	15,864	6,847	193,298	131,450	149,513	496,972
Addition/(disposal) of subsidiaries	-	(35)	1,415	1,041	-	2,421
Exceptional item (see note 3)	-	-	(33,000)	-	-	(33,000)
Disposals	(31)	(158)	(734)	(72)	-	(995)
Transfers	186	10	1,372	-	(1,568)	-
End of year	34,107	122,830	322,925	148,503	280,365	908,730

Note to the accounts continued

14. Tangible fixed assets: Group continued

	Freehold land and buildings £000's	Leasehold land and buildings £000's	Plant, motor vehicles, fixtures and fittings £000's	Plant and equipment under finance leases £000's	Assets in course of construction £000's	Total £000's
<i>Depreciation</i>						
Beginning of year	1,601	5,179	68,985	6,962	-	82,727
Charge	418	1,608	30,587	2,699	-	35,312
Addition/(disposal) of subsidiaries	-	107	394	564	-	1,065
Exceptional item (see note 3)	-	-	20,800	-	-	20,800
Disposals	(3)	(36)	(345)	(69)	-	(453)
End of year	2,016	6,858	120,421	10,156	-	139,451
<i>Net book value</i>						
Beginning of year	16,487	110,987	91,589	9,122	132,420	360,605
End of year	32,091	115,972	202,504	138,347	280,365	769,279

Included in the cost of Group tangible fixed assets is interest on borrowings used to finance capital projects of £66,716,000 (1989 - £40,231,000).

Plant, motor vehicles, fixtures and fittings at cost includes satellite television receiving equipment and associated costs of £142,389,000 (1989 - nil) and related accumulated depreciation of £16,278,000 (1989 - nil). These assets are held for rental to third parties.

Leasehold land and buildings mainly comprise long leaseholds. Short leaseholds included within this category are as follows:

	1990 £000's	1989 £000's
Gross amount	1,960	2,055
Accumulated depreciation	1,381	1,051
Depreciation allocated for the period	259	726

(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:

	1990		1989	
	Freehold £000's	Leasehold £000's	Freehold £000's	Leasehold £000's
Professionally valued at:				
1 November 1980	12,254	90	12,269	90
30 June 1988	-	50,086	-	50,086
Total at valuation	12,254	50,176	12,269	50,176
At cost	21,853	72,654	5,819	65,990
Cost or valuation end of year	34,107	122,830	18,088	116,166

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

Original cost, and aggregate depreciation based on cost, of land and buildings included at valuation:

	1990		1989	
	Freehold £000's	Leasehold £000's	Freehold £000's	Leasehold £000's
Original cost	5,654	3,652	5,658	3,652
Depreciation based on cost	(809)	(182)	(696)	(126)
	4,845	3,470	4,962	3,526

Notes to the accounts continued

14. Tangible fixed assets continued

Company

(a) The movement in the year was as follows:

	Freehold land and buildings £000's	Leasehold land and buildings £000's	Plant, fixtures and fittings £000's	Assets in course of construction £000's	Total £000's
<i>Cost or valuation</i>					
Beginning of year	10,653	114,079	2,283	63,832	190,847
Additions	16,143	6,831	49	73,337	96,360
Transfers	113	10	-	(123)	-
End of year	26,909	120,920	2,332	137,046	287,207
<i>Depreciation</i>					
Beginning of year	883	4,135	1,805	-	6,823
Charge	328	1,376	309	-	2,013
End of year	1,211	5,511	2,114	-	8,836
<i>Net book value</i>					
Beginning of year	9,770	109,944	478	63,832	184,024
End of year	25,698	115,409	218	137,046	278,371

Included in the cost of Company tangible fixed assets is interest on borrowings used to finance capital projects of £43,465,000 (1980 - £24,227,000).

Leasehold land and buildings mainly comprise long leaseholds. Short leaseholds included within this category are as follows:

	1990 £000's	1989 £000's
Gross amount	389	300
Accumulated depreciation	123	82
Depreciation allocated for period	41	22

(b) Assets at valuation

Plant, fixtures and fittings 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:

	1990		1989	
	Freehold £000's	Leasehold £000's	Freehold £000's	Leasehold £000's
Professionally valued at:				
1 November 1980	7,195	-	6,641	-
30 June 1988	-	50,086	-	50,086
Total at valuation	7,195	50,086	6,641	50,086
At cost	19,714	70,834	4,014	63,993
Cost or valuation end of year	26,909	120,920	10,653	114,079

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

Original cost, and aggregate depreciation based on cost, of land and buildings included at valuation:

	1990		1989	
	Freehold £000's	Leasehold £000's	Freehold £000's	Leasehold £000's
Original cost	4,168	3,600	4,154	3,600
Depreciation based on cost	(561)	(178)	(478)	(122)
	3,607	3,422	3,676	3,478

Notes to the accounts continued

15. Fixed asset investments

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
Subsidiaries	-	-	1,924,081	1,932,748
Associated companies	86,795	26,493	89,646	32,970
Loans receivable	939,192	1,318,857	111,462	124,640
Other investments	1,816,033	1,823,400	1,311,346	1,300,180
	<u>2,842,020</u>	<u>3,168,750</u>	<u>3,436,535</u>	<u>3,390,548</u>

Details of the Group's principal subsidiary and related companies are given on pages 33 and 34.

(a) Investment in subsidiaries - Company

	1990 £000's
The movement in the year was as follows:	
Cost:	
Beginning of year	1,975,938
Additions (net)	129,041
Exchange movements	(16,947)
End of year	<u>2,088,032</u>
Amounts written off	
Beginning of year	43,190
Additions	120,761
End of year	<u>163,951</u>
Net book value	
Beginning of year	<u>1,932,748</u>
End of year	<u>1,924,081</u>

Additions during the year include £126,433,000 in respect of further investment in preference shares of Ordinto Investments, a wholly owned subsidiary company which is engaged in providing finance to fellow subsidiaries in the USA and Australia and £4,045,000 with respect to the acquisition of all of the issued share capital of Broadsystem Limited (a telephone publishing company).

Additions to amounts written off investments include provisions against the investments in Sky Television PLC of £80,351,000 and News (UK) Limited of £36,873,000.

(b) Associated companies

	1990 £000's	1989 £000's
Group		
Cost of shares acquired less amounts written off	58,760	30,886
Loans	30,000	-
Share of post-acquisition reserves	(1,965)	(4,393)
	<u>86,795</u>	<u>26,493</u>
	£000's	£000's
Company		
Cost of shares acquired less amounts written off	59,646	32,970
Loans	30,000	-
	<u>89,646</u>	<u>32,970</u>

Notes to the accounts continued

15. Fixed asset investments continued

	Group £000's	Company £000's
The movement in the year was as follows:		
Beginning of year	26,493	32,970
Additions (see below)	61,789	61,789
Reduction in investment in Univision Canal 1 S.A.	(4,917)	(4,917)
Transfer of Circle K (UK) Holdings Limited to current asset investments (see note 18)	(15,816)	(20,196)
Share of profits less losses after taxation	656	-
Amortisation of goodwill on acquisition	(1,410)	-
Addition to loans	30,000	30,000
Extraordinary provision (see note 9)	(10,000)	(10,000)
End of year	86,795	89,646

Goodwill is amortised in accordance with the Group accounting policy as explained on page 7.

Additions to loans comprises a loan of £30,000,000 to Martin The Newsagent Limited, a subsidiary company of Panfida Group plc, a listed company. Interest is due on this loan at the rate of 10% per annum and the loan with interest is repayable in full in 1995.

Additions in year

	Percentage interest acquired	Cost £000's	Fair value of net assets acquired £000's	Goodwill £000's
Panfida Group plc (see note 9)	29.9%	10,000	-	10,000
Grupo Zeta S.A.	25%	48,661	48,661	-
Mai Nap Rt.	50%	1,989	1,989	-
Reform Rt.	50%	776	776	-
Other associated companies		363	363	-
		61,789	51,789	10,000

The Stock Exchange value of the holding in Panfida Group plc at 30 June 1990 was £3,491,000.

(c) Loans receivable	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
(i) Swiss francs 150 million (1989: SF 175 million) and SF 125 million (1989: SF 150 million) due in 1994 and bearing interest at 6.25% and 6.375% respectively. With the exception of the loan of SF 175 million in 1989, all loans are due from fellow subsidiaries	111,462	124,640	111,462	124,640
(ii) US dollar loans due from fellow subsidiaries bearing interest at various margins above London inter-bank offered rate and repayable on demand	53,176	183,426	-	-
(iii) US dollar loans due from fellow subsidiaries bearing interest at various margins above London inter-bank offered rate and repayable on 31 March 1992	774,554	1,010,791	-	-
	939,192	1,318,857	111,462	124,640

Notes to the accounts continued

15. Fixed asset investments continued

The movement in the year was as follows:

	Group £000's	Company £000's
Beginning of year	1,318,857	124,640
Loans to fellow subsidiaries	107,187	107,187
Repayment of loans to fellow subsidiaries	(58,450)	(58,450)
Transfer to debtors - due from fellow subsidiaries	(357,995)	-
Repayment of loans	(68,226)	(68,226)
Exchange movements	(2,181)	6,311
End of year	939,192	111,462

(d) Other investments

Other investments are analysed as follows:

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
Fellow subsidiaries (i)	1,418,860	1,422,581	1,292,387	1,280,334
Listed in the UK (ii)	396,943	400,615	18,809	19,673
Listed overseas	20	44	20	44
Unlisted	210	160	130	135
	1,816,033	1,823,400	1,311,346	1,300,186

	Group £000's	Company £000's
The movement in the year was as follows:		
<i>Cost or valuation</i>		
Beginning of year	1,828,992	1,305,928
Additions	126,573	126,433
Disposals	(129)	(279)
Other movements	(3,652)	(756)
Exchange adjustment	(130,151)	(114,380)
End of year	1,821,633	1,316,946
<i>Amounts written off</i>		
Beginning of year	5,592	5,742
Written off	24	24
Written back	(16)	(166)
End of year	5,600	5,600
<i>Net book value</i>		
Beginning of year	1,823,400	1,300,186
End of year	1,816,033	1,311,346

(i) Investments in fellow subsidiaries are as follows:

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
News America Holdings Incorporated	176,217	191,991	49,744	49,744
News Publishers Limited	1,242,621	1,230,568	1,242,621	1,230,568
News Corp Finance NV	22	22	22	22
	1,418,860	1,422,581	1,292,387	1,280,334

Notes to the accounts continued

15. Fixed asset investments continued

The remaining ordinary share capital of these companies is held by The News Corporation Limited and other of its subsidiaries outside the Group. 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 subsidiaries as included in the consolidated accounts of The News Corporation Limited totalled £1,541,523,000 at 30 June 1990 (1989 - £626,216,000). The Group's interest in the net assets through its 20% holding of Common Stock and 47% (1989 - 47%) holding of Cumulative Preference Stock totals £724,516,000 (1989 - £294,322,000).

The net assets of News Publishers Limited and subsidiaries (as included in the consolidated accounts of The News Corporation Limited), in which the Group has a 48% interest, totalled £4,020,417,000 at 30 June 1990 (1989 - £3,402,652,000). During the year the Group increased its investment by US dollars 204,000,000 (£126,433,000) by subscribing for additional shares issued by way of rights to each shareholder of that company.

(ii) Listed Investments

Investments listed in the UK comprise 37,662,997 (Group) Ordinary shares in Pearson plc and 14,079,491 (Group) and 2,800,000 (Company) Ordinary shares in Reuters Holdings PLC.

The investment in Pearson plc is stated at cost £309,225,000 which is net of option premiums of £18,081,000 received from fellow subsidiary companies.

News Publishers Finance Limited, a related company, has an option to purchase 9,892,119 of these shares at a fixed price of £7.84 per share at any time until 12 March 1998. News Cayman Ltd., News Cayman Investments Ltd. and News Cayman (Finance) Ltd., all related companies, have been granted options to purchase 27,375,628 of the remaining Pearson plc shares at a fixed price of £9.50 during the period from 15 March 1989 to 14 September 1990 and thereafter at the prevailing market price on the London Stock Exchange until 15 March 1999. During the period covered by the options, the Group cannot dispose of these shares to any other parties.

In the opinion of the Directors, who have taken independent advice, the market value of this significant holding in Pearson plc at 30 June 1990 is not less than the book value including associated costs. The Stock Exchange value at 30 June 1990 was £288,122,000 (Group) (1989 - £270,797,000).

The investment in Reuters Holdings PLC is carried at:

	Group		Company	
	No. of Shares	£000's	No. of Shares	£000's
Cost	9,242,214	69,041	2,800,000	19,565
Valuation (average of £4.50 per share)	4,837,277	21,791	-	-
Less: option premiums received	-	(3,652)	-	(756)
	<u>14,079,491</u>	<u>87,180</u>	<u>2,800,000</u>	<u>18,809</u>

Corporation tax which could arise of £4,243,000 (1989 - £2,700,000) if the Reuters shares were to be disposed of at valuation has not been provided in these accounts.

The Group has deposited 14,079,488 shares held in Reuters Holdings PLC with Citibank N.A. to support a preference share issue made by a related company, Newscorp Cayman Islands Limited. The preference shares are redeemable in July 1999. The Group cannot dispose of these shares to any other person whilst the preference shares remain outstanding. Newscorp Cayman Islands Limited was granted an option to purchase these shares at a fixed price of £9.68. Subsequent to 30 June 1990 the Group was released from these options by making a payment of £37,451,000 to Newscorp Cayman Islands Limited.

The aggregate Stock Exchange value of listed investments was:

	Group		Company	
	1990	1989	1990	1989
	£000's	£000's	£000's	£000's
Listed in the UK	464,173	382,729	35,280	22,479
Listed overseas	4	28	4	28
	<u>464,177</u>	<u>382,757</u>	<u>35,284</u>	<u>22,507</u>

No additional tax liability would arise if they were sold at this value.

Notes to the accounts continued

16. Stocks

	Group	
	1990	1989
	£000's	£000's
Raw materials and consumables	15,187	20,172
Work-in-progress	1,274	1,227
Finished goods and goods for resale	2,710	3,381
Television programme rights	63,558	47,665
	<u>82,729</u>	<u>72,445</u>

The estimated amount of existing television programme rights to be amortised in the next financial year is £49,000,000 (1989 - £17,000,000).

17. Debtors

	Group		Company	
	1990	1989	1990	1989
	£000's	as restated (see note 25) £000's	£000's	£000's
<i>Amounts falling due within one year</i>				
Trade debtors	116,716	120,392	308	46
Due from subsidiaries	-	-	931,957	555,228
Due from fellow subsidiaries	674,495	42,623	31,496	20,585
Due from associated companies	15,275	9,774	3,522	3,851
Due from related company of ultimate parent	56,185	70,770	58,285	72,296
Rentals due under finance leases	3,466	3,009	-	-
Value added tax	17,670	2,974	-	1,343
Prepayments and accrued income	26,266	24,244	10,767	10,683
Income tax recoverable	98	108	65	65
Prepaid satellite transponder costs	5,332	5,311	-	-
Other debtors	31,905	11,317	3,817	2,257
	<u>947,408</u>	<u>290,522</u>	<u>1,040,217</u>	<u>666,354</u>
<i>Amounts falling due after more than one year</i>				
Rentals due under finance leases	31,801	35,145	-	-
Prepayments and accrued income	18,007	16,796	16,370	14,671
Corporation tax recoverable	3,421	-	121	-
Loan to fellow subsidiary	-	118,000	-	-
Prepaid satellite transponder costs	42,246	47,799	-	-
Eurosport loan	14,105	15,965	-	-
Other debtors	1,000	1,356	1,000	1,100
	<u>110,580</u>	<u>235,061</u>	<u>17,491</u>	<u>15,771</u>
	<u>1,057,988</u>	<u>525,583</u>	<u>1,057,708</u>	<u>682,125</u>

The original historic cost of assets subject to finance leases at the year end was £43,219,000 (1989 - £43,085,000).

Included in due from fellow subsidiaries is a loan of £118,000,000 repayable in June 1991 bearing interest at variable rates related to the Sterling/Swiss franc exchange rate and £357,995,000 transferred from fixed asset investments (see note 15).

Notes to the accounts continued

18. Current asset investments

	Group		Company	
	1990	1989	1990	1989
	£000's	£000's	£000's	£000's
Listed in the UK	5,850	14,969	-	-
Unlisted	4,540	-	4,540	-
	<u>10,390</u>	<u>14,969</u>	<u>4,540</u>	<u>-</u>

Included in listed investments are 1,444,021 (1989 - 3,660,710) Ordinary shares of Reuters Holdings PLC over which a related company, Newscorp Finance NV, has options to purchase at a fixed price of US \$6.68 per share at any time until June 2001. The Group cannot dispose of these shares to any other party during this period.

These shares have been classified as current as the options over them are expected to be exercised in the next financial year.

	Group	
	1990	1989
	£000's	£000's
Aggregate Stock Exchange value of listed investments	<u>18,195</u>	<u>15,946</u>

No additional tax liability would arise if they were sold at this value.

Unlisted investments comprise a 50% holding in Circle K (UK) Holdings Limited. The movement in the year in the investment in Circle K (UK) Holdings Limited was as follows:

	Group	Company
	1990	1990
	£000's	£000's
Transfer from fixed asset investments - associated companies		
- at cost	20,196	20,196
- amortisation of goodwill	(2,608)	-
- prior year equity losses	(1,772)	-
Transfer of loan classified as debtor in prior year	1,750	1,750
Additions to loans	11,974	11,974
Extraordinary provision (see note 9)	(25,000)	(29,380)
	<u>4,540</u>	<u>4,540</u>

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 subsidiaries which are in aggregate in excess of the agreed limit have been netted against cash balances in the parent company and other subsidiaries which are subject to this arrangement (see also note 28).

Notes to the accounts continued

20. Creditors – amounts falling due within one year

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
Bank loans and overdrafts	583,940	8,758	471,245	12,339
Bonds	143,857	96,988	143,720	96,988
Loan notes	8,458	11,253	8,458	11,253
Bills of exchange payable	96,708	128,068	96,700	127,835
Trade creditors	93,729	57,880	-	-
Due to parent company	66,613	69,311	175,359	178,085
Due to fellow subsidiaries	80,359	190,527	75,209	126,446
Due to subsidiaries	-	-	537,602	798,381
Due to associated company	318	-	318	-
Obligations under finance leases	18,933	4,380	-	-
Corporation tax payable	9,238	11,886	-	-
Value added tax	27,362	1,375	21,841	-
Social security and PAYE	4,736	4,555	226	222
Proposed dividends (see note 10)	3,669	4,180	3,669	4,180
Acquisition provision for restructuring	6,633	9,038	-	-
Accruals	88,798	81,826	35,639	30,285
Other creditors	25,987	13,281	468	273
	<u>1,259,338</u>	<u>693,306</u>	<u>1,570,454</u>	<u>1,386,287</u>

The acquisition provision was set up in 1988 and has been utilised to cover restructuring expenditure incurred during the year.

21. Creditors – amounts falling due after more than one year

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
Bank loans	702,867	865,022	475,800	499,196
Bonds and loan stock	284,785	455,585	163,230	335,256
Loan notes	6,332	5,000	6,332	5,000
Trade creditors	-	1,784	-	-
Loans from fellow subsidiaries	2,101,454	1,455,294	672,067	1,455,294
Loans from subsidiary	-	-	1,656,456	355,606
Obligations under finance leases	139,343	26,106	-	-
Corporation tax payable	35,385	35,400	-	-
Other creditors	2,155	-	-	-
	<u>3,272,321</u>	<u>2,844,191</u>	<u>2,973,885</u>	<u>2,650,352</u>

During the year the Group and the Company paid interest on bonds at variable rates between 5% and 10% and on bank loans, loan notes and loans from fellow subsidiaries at rates between 7% and 16%.

Analysis of borrowings:

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
Repayable within five years				
within 1 year				
- bank loans and overdrafts	583,940	8,758	471,245	12,339
- bonds	143,857	96,988	143,720	96,988
- loan notes	8,458	11,253	8,458	11,253
- bills of exchange payable	96,708	128,068	96,700	127,835
- loans from fellow subsidiaries	-	8,144	-	8,144
- loans from subsidiary	-	-	101,754	2,586
- obligations under finance leases	18,933	4,380	-	-
Total within 1 year	<u>851,896</u>	<u>257,591</u>	<u>821,877</u>	<u>259,145</u>

Notes to the accounts continued

21. Creditors – amounts falling due after more than one year continued		Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's	
<i>between 1–2 years</i>					
– bank loans	151,425	200,134	65,193	103,159	
– bonds	75,000	161,645	75,000	161,645	
– unsecured loan note	666	–	666	–	
– loans from fellow subsidiaries	709,700	–	572,940	–	
– loans from subsidiaries	–	–	222,993	161,633	
– obligations under finance leases	13,503	4,532	–	–	
Total between 1–2 years	950,294	366,311	936,792	426,437	
<i>between 2–5 years</i>					
– bank loans	551,442	664,888	410,607	396,037	
– bonds	153,108	107,033	32,034	107,033	
– unsecured loan stock	481	–	–	–	
– unsecured loan note	666	–	666	–	
– loans from fellow subsidiaries	1,027,327	731,328	99,127	731,328	
– loans from subsidiaries	–	–	1,069,036	193,973	
– obligations under finance leases	44,275	12,208	–	–	
Total between 2–5 years	1,777,299	1,515,457	1,611,470	1,428,371	
<i>Repayable wholly or in part by instalments after five years:</i>					
– obligations under finance leases	81,565	9,366	–	–	
Total after 5 years	81,565	9,366	–	–	
<i>Repayable otherwise than by instalments after five years:</i>					
– unsecured loan stock	–	481	–	–	
– unsecured loan note	5,000	5,000	5,000	5,000	
– bonds	56,196	186,426	56,196	66,578	
– loans from fellow subsidiaries	364,427	723,966	–	723,966	
– loans from subsidiary	–	–	364,427	–	
Total after 5 years	425,623	915,873	425,623	795,544	
	4,086,677	3,064,598	3,795,762	2,909,497	

The amounts due otherwise than by instalments after five years are repayable in the period July 1995 to June 2001.

None of the borrowings is secured on the assets of the Group or the Company other than obligations under finance leases.

22. Provisions for liabilities and charges		Group		Company	
Amounts provided for deferred taxation		1990 £000's	1989 £000's	1990 £000's	1989 £000's
Deferred taxation related to:					
Excess of tax allowances over book depreciation of fixed assets	15,684	18,376	5,063	12,614	
Other timing differences on non-current assets	14,343	25,773	6,864	6,864	
Other timing differences related to current assets and liabilities	(15,743)	(9,035)	(11,927)	(9,342)	
Advance corporation tax recoverable	(14,284)	(14,336)	–	–	
	–	20,778	–	10,136	

No deferred tax is provided at 30 June 1990 due to short term timing differences and the availability of tax losses for relief against future taxable profits.

Notes to the accounts continued

22. Provisions for liabilities and charges continued

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
The movement on deferred taxation comprises:				
Beginning of year	20,778	43,696	10,136	16,930
Charged (credited) to profit and loss account, in respect of:				
- timing differences related to property, plant and equipment	(9,567)	8,460	(7,551)	3,578
- short-term timing differences	(11,234)	(1,435)	(2,585)	(2,677)
Advance corporation tax recoverable	-	(2,722)	-	4,120
Release of tax on sale of investments and subsidiaries	-	(505)	-	-
Release of provision for potential tax on disposal of investment	-	(26,716)	-	(11,815)
Tax of company acquired	23	-	-	-
End of year	-	20,778	-	10,136
The full potential amount of deferred taxation on timing differences is as follows:				
Excess of tax allowances over book depreciation of fixed assets computed at a corporation tax rate of 35% (1989 - 35%)	15,684	18,376	5,063	12,614
Other timing differences on non-current assets	14,343	25,773	6,864	6,864
Other timing differences related to current assets and liabilities computed at a corporation tax rate of 35% (1989 - 35%)	(15,713)	(9,035)	(11,927)	(9,342)
Advance corporation tax recoverable	(14,284)	(14,336)	-	-
	-	20,778	-	10,136
Additional taxes that could arise if property, publishing rights and investments were to be disposed of at their revalued amounts are as follows:				
Property	17,307	17,307	18,420	16,670
Publishing rights	373,800	131,250	-	-
Investments	4,243	2,700	-	-
	395,350	151,257	18,420	16,670

23. Share capital

	1990 £000's	1989 £000's
Authorised:		
4.9% First Cumulative Preference shares of £1 each	1,000	1,000
5.6% Second Cumulative Preference shares of £1 each	700	700
Ordinary shares of 25p each	54,959	54,959
Special Dividend shares of 25p each	49,814	49,814
	106,473	106,473
Issued and fully paid:		
4.9% First Cumulative Preference shares of £1 each	1,000	1,000
5.6% Second Cumulative Preference shares of £1 each	700	700
218,108,000 Ordinary shares of 25p each	54,527	54,527
172,656,000 Special Dividend shares of 25p each	43,164	43,164
	99,391	99,391

Notes to the accounts continued

24. Reserves

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
Profit and loss account	140,924	510,913	109,897	132,254
Revaluation reserve	1,082,885	467,392	47,810	47,894
	<u>1,223,809</u>	<u>978,305</u>	<u>157,707</u>	<u>180,148</u>

The movement on reserves during the year was as follows:

Group	Profit and loss account £000's	Revaluation reserve £000's
Beginning of year	510,913	467,392
Prior year adjustment due to change in accounting policy	(75,334)	-
Beginning of year as restated	510,913	467,392
Retained loss for the year	(284,381)	-
Transfer on sale of assets	8,849	(8,849)
Net exchange differences arising on translation of foreign investments	(94,457)	-
Surplus on revaluation of publishing rights	-	624,342
End of year	<u>140,924</u>	<u>1,082,885</u>

The total of net exchange differences arising on translation of foreign investments includes a net gain of £75,739,000 relating to exchange differences on foreign currency loans and creditors.

Company	Profit and loss acc. int £000's	Revaluation reserve £000's
Beginning of year	132,254	47,894
Retained loss for the year	(179,523)	-
Transfer on sale of assets	84	(84)
Net exchange differences arising on translation of foreign investments	157,082	-
End of year	<u>109,897</u>	<u>47,810</u>

In the Directors' opinion, £43,605,000 of the profit and loss account reserves at 30 June 1990 is distributable.

25. Change in accounting policy

As explained in principal accounting policies on page 8, the accounting policy for the treatment of costs relating to the development and implementation by Sky Television of multi-channel broadcasting was changed during the year and such costs are now written off as incurred and classified as an exceptional item.

The effect of this change is as follows:

	Group Year ended 30 June 1989	
	As previously reported £000's	As restated £000's
Exceptional costs	(15,547)	(90,881)
Profit/(loss) before extraordinary items	<u>12,294</u>	<u>(63,040)</u>
Earnings/(loss) per share	<u>3.1p</u>	<u>(16.2p)</u>
Debtors	<u>600,917</u>	<u>525,583</u>

Notes to the accounts continued

26. Future capital expenditure

	Group		Company	
	1990 £000's	1989 £000's	1990 £000's	1989 £000's
Contracted for but not provided for in the accounts				
- television programme rights	155,811	215,000	-	-
- capital expenditure	281,673	346,200	148,439	128,650
	<u>437,484</u>	<u>561,200</u>	<u>148,439</u>	<u>128,650</u>
Authorised but not contracted for				
- television programme rights	25,081	7,896	-	-
- capital expenditure	7,347	7,967	-	-
	<u>32,428</u>	<u>15,863</u>	<u>-</u>	<u>-</u>

Included in television programme rights commitments, contracted for but not provided for in the accounts, is £54,464,000 (1989 - £69,183,000), being the minimum amounts payable to various third party producers in respect of planned future productions in periods up to 1995. These contracts are subject to price escalation clauses, up to a total maximum commitment of approximately £122,218,000 (1989 - £132,816,000), which are dependent upon the success of individual movies in theatrical and video releases and certain other factors.

27. Leasing and other financial commitments

Certain subsidiaries lease buildings on short-term leases. The annual rental paid on these leases was £3,637,000 (1989 - £2,134,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The subsidiaries pay all insurance, maintenance and repairs of these properties. The leases expire in more than five years.

28. Guarantees and contingent liabilities

Under a collective Group banking facility, the Company, the ultimate holding company and certain subsidiaries have given multilateral guarantees in respect of bank overdrafts of other subsidiary companies.

The Company and certain subsidiaries have given the following guarantees:

1. US \$250,000,000 in respect of borrowings by a fellow subsidiary.
2. US \$10,426,000 in respect of a preference share issue by an associated company.
3. US \$1,270,000,000 in respect of borrowings by a fellow subsidiary. These funds were lent to the Company and are included in amounts due to fellow subsidiaries.
4. HK\$2,138,000,000 in respect of borrowings by a fellow subsidiary.
5. A\$730,000,000 in respect of borrowings by fellow subsidiaries.

The Company has agreed to acquire from a bank a portion of a loan of up to a maximum of £10,000,000 and trade debts from certain suppliers (amounting to £2,181,000 at 30 June 1990), in the event that the current borrower/creditor Circle K (UK) Holdings Limited, is in default in respect of these amounts.

29. Ultimate holding company

The ultimate holding company is The News Corporation Limited, a company incorporated in South Australia. Many of the Company's operations and activities are significantly affected by the actions or directions of the ultimate holding company and therefore The News Corporation Limited has confirmed its intention of providing continuing financial support to enable the Company and its subsidiaries to meet their liabilities as they fall due.

Sky Television PLC has received an irrevocable indemnity from The News Corporation Limited for any losses that would be incurred on any decision to terminate or substantially curtail its operations.

Principal subsidiary and related companies

Subsidiaries

NEWS GROUP NEWSPAPERS LIMITED (Publishers of the News of the World, The Sun and Sunday Magazine) Newscorp Netherlands Antilles NV (Finance) (incorporated in Netherlands Antilles), Newscorp Services BV (Finance) (incorporated in Holland)

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

NEWS (UK) LIMITED (Publisher of Today)

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 Publishing Companies)

NEWS INTERNATIONAL (ADVERTISEMENTS) LIMITED (Sale of advertising space on behalf of the Publishing Companies)

NEWS SCOTLAND LIMITED (Printers)

SKYTELEVISION PLC (Television broadcasting and satellite receiving equipment rentals)
(734,532 'A' Ordinary shares (100 per cent.) and £120,838,978 'A' Convertible Unsecured Loan Stock 1997.
The Company is entitled to 95.55 per cent. of the votes cast in a general meeting)
Sky Subscriber Services Limited
S.A.T.V. Publishing Limited
Satellite Sport Sales Limited

MURDOCH MAGAZINES (UK) LIMITED (Publishers of New Woman and TV Guide Magazines)
E.F. Publishing Limited (Publisher of Car and Supercar Classics)

ERIC BEMROSE LIMITED (Printers)
Eric Bemrose (Engineers) Limited

CONVOYS LIMITED (Warehousing and Transport)
Convoys (London Wharves) Limited
Welling Storage Limited

TOWNSEND HOOK GROUP LIMITED (Manufacturers)
Townsend Hook Limited
Hale Paper Company Limited
Snodland Fibres Limited

Principal subsidiary and related companies (continued)

Subsidiaries continued

BROADSYSTEM LIMITED (Telephone Publishing)

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

NEWSCORP FINANCE LIMITED (Finance) (Incorporated in Cayman Islands)

LYNTRESS LIMITED (Finance)
Ordinto Investments (Finance) (50 per cent.)

SALCOMBE SECURITIES LIMITED (Finance)
Ordinto Investments (Finance) (50 per cent.)

With the exception of Townsend Hook Group Limited, a subsidiary of Ordinto Investments, the subsidiaries shown in bold type are owned directly by the Company.

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

Associated companies

**NEWS INTERNATIONAL-
HACHETTE LIMITED** (50 per cent.)

CIRCLE K (UK) HOLDINGS LIMITED (50 per cent.)

TRAFFORD PARK PRINTERS LIMITED (50 per cent.)

PANFIDA GROUP PLC (29.9 per cent.)

GRUPO ZETA S.A. (25 per cent.) (Incorporated in Spain)

MAINAP RT. (50 per cent.) (Incorporated in Hungary)

REFORM RT. (50 per cent.) (Incorporated in Hungary)

Other related companies

**NEWS AMERICA HOLDINGS
INCORPORATED** (20 per cent. of the Common stock and
47 per cent. of the Cumulative Preference stock)
(Incorporated in USA)

NEWS PUBLISHERS LIMITED (48 per cent.) (Incorporated in Bermuda)

NEWSCORP FINANCE NV (48 per cent.) (Incorporated in Netherlands Antilles)