

# ARTHUR ANDERSEN

NEWS (UK) LIMITED

ACCOUNTS - 30 JUNE 1997

TOGETHER WITH DIRECTORS'  
AND AUDITORS' REPORTS

The company's registered number is 1879283.



**NEWS (UK) LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 1997**

The Directors present their annual report on the affairs of News (UK) Limited ("the Company") together with the accounts and auditors' report for the year ended 30 June 1997.

**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 its profit or loss for that period. In preparing those accounts, the Directors are required to:

- \* select suitable accounting policies and then apply them consistently;
- \* make judgements and estimates that are reasonable and prudent;
- \* state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- \* prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW:**

Until 17 November 1995, the principal activity of the Company was the publishing of a national newspaper (Today). On that date, the Company ceased publishing the newspaper and no longer trades.

The Company generated turnover for the year of £nil (1996 - £18,373,000) resulting in a loss after tax of £nil (1996 - £15,613,000).

**RESULTS AND DIVIDENDS:**

	<u>£'000</u>
Accumulated deficit at 30 June 1996	175,225
Loss for the financial year	-
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Accumulated deficit at 30 June 1997	175,225
	<hr/> <hr/>

The Company does not have any distributable reserves and accordingly no dividend can be paid.

## DIRECTORS' REPORT- continued

### DIRECTORS AND THEIR INTERESTS:

The Directors who served during the year are as shown below:

R M Linford  
K R Murdoch  
P W Stehrenberger  
J E Widdows (resigned 29 August 1997)  
S F Hutson (appointed 29 August 1997)

The interests of P W Stehrenberger, R M Linford and K R Murdoch in the shares of the ultimate parent company, The News Corporation Limited, and the interests of K R Murdoch and P W Stehrenberger in the shares of News International plc are disclosed in the accounts of NewsCorp Investments Limited.

Other Directors of the Company had interests in Ordinary shares in the ultimate parent company, The News Corporation Limited ("TNCL"), as follows:

Preferred Limited Voting Ordinary shares 50 Australian cents in TNCL			Share-save
30 June 1996	Granted	30 June 1997	30 June 1997

#### Options held:

J E Widdows	-	24,000	24,000	1,853
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The options held by J E Widdows have an option price of A\$5.17 and are exercisable between 25 July 1997 and 24 July 2006.

News International share-save options, in the Preferred Limited Voting Ordinary shares of 50 Australian cents in TNCL, were granted during the year and are exercisable after 3, 5 or 7 years from March 1997 at £2.104 and are subject to the individuals completing their monthly contributions for the relevant period.

The middle market price of a TNCL preferred share on 30 June 1997 was A\$5.225 (1996 - A\$6.20). The range in market value of the preferred shares during the financial year was A\$4.67 to A\$6.37 (1996 - \$5.82 to A\$7.41).


#### AUDITORS:

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

BY ORDER OF THE BOARD

P O Box 495  
Virginia Street  
London  
E1 9XY

19 September 1997

  
P W Stehrenberger  
Director

## **AUDITORS' REPORT**

TO THE SHAREHOLDERS OF  
NEWS (UK) LIMITED

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention, and the accounting policies set out on page 4.

### **Respective responsibilities of directors and auditors**

As described on page 1, 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**

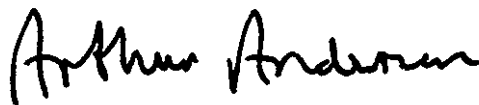
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Without qualifying our opinion, we draw your attention to Note 14, which explains why the Directors have drawn up the accounts on the going concern basis despite the net current liability and net liability position of the Company.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 30 June 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**

Chartered Accountants and Registered Auditors

1 Surrey Street

London WC2R 2PS

19 September 1997

## NEWS (UK) LIMITED

### PRINCIPAL ACCOUNTING POLICIES

#### **BASIS OF ACCOUNTING:**

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

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

The Company is exempt from the requirement of Financial Reporting Standard 1 to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary of a body corporate incorporated in the European Community (Note 15), in whose accounts its results are consolidated. The accounts of Newscorp Investments Limited meet the conditions of section 228.

#### **TURNOVER:**

Turnover is the net amount receivable by the Company in the ordinary course of its business, excluding value added tax.

#### **TAXATION:**

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

#### **LEASES:**

Rentals payable under operating leases are charged to the profit and loss account in the period in which they are incurred.

**NEWS (UK) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 1997**

	Notes	<u>1997</u> <u>£'000</u> <u>Discontinued</u> <u>Operations</u>	<u>1996</u> <u>£'000</u> <u>Discontinued</u> <u>Operations</u>
TURNOVER	1	-	18,373
Cost of sales		-	(17,605)
		<hr/>	<hr/>
GROSS PROFIT		-	768
Other operating expenses (net)	3	-	(7,182)
		<hr/>	<hr/>
OPERATING LOSS		-	(6,414)
Loss on termination of operations	4	-	(9,188)
Interest payable and similar charges	5	-	(11)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	-	(15,613)
Taxation	8	-	-
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR		-	(15,613)
ACCUMULATED DEFICIT, brought forward		(175,225)	(159,612)
		<hr/>	<hr/>
ACCUMULATED DEFICIT, carried forward		(175,225)	(175,225)
		<hr/> <hr/>	<hr/> <hr/>

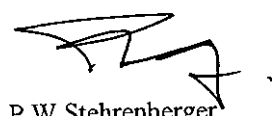
There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £nil in the year ended 30 June 1997 and of £15,613,000 in the year ended 30 June 1996.

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

**NEWS (UK) LIMITED**  
**BALANCE SHEET - 30 JUNE 1997**

		<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
	<u>Notes</u>		
CURRENT ASSETS			
Debtors	9	59,573	10,424
Cash at bank and in hand	10	-	393
		-----	-----
		59,573	10,817
CREDITORS: Amounts falling due within one year			
	11	(185,318)	(136,562)
		-----	-----
NET CURRENT LIABILITIES		(125,745)	(125,745)
		-----	-----
NET LIABILITIES	14	(125,745)	(125,745)
		=====	=====
CAPITAL AND RESERVES			
Called-up equity share capital	12	49,320	49,320
Share premium account		160	160
Profit and loss account		(175,225)	(175,225)
		-----	-----
SHAREHOLDERS' FUNDS	12	(125,745)	(125,745)
		=====	=====

SIGNED ON BEHALF OF THE BOARD ON 19 SEPTEMBER 1997

  
P W Stehrenberger  
Director

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

**NEWS (UK) LIMITED**

**NOTES TO THE ACCOUNTS - 30 JUNE 1997**

1. SEGMENTAL INFORMATION:

Substantially all of the Company's turnover in the prior year was derived both by origin and destination, from printing and publishing activities in the United Kingdom. On 17 November 1995, the Company ceased publication of Today national newspaper and the Company no longer trades or generates income.

2. RELATED PARTY TRANSACTIONS:

Before termination of the principal operations on 17 November 1995, the Company distributed its national newspaper through one fellow subsidiary undertaking and sold all of its advertising space to another. Accordingly, substantially all of the Company's turnover was derived from those undertakings.

Production and printing services together with administrative and support services, including personnel resources, were supplied by other members of the NewsCorp Investments Limited group.

As a subsidiary undertaking of The News Corporation Limited whose accounts are publicly available, the Company has taken advantage of the exemption in FRS 8 Related Party Disclosure not to disclose further details of these transactions with other members of the group headed by The News Corporation Limited.

3. OTHER OPERATING EXPENSES (NET):

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Selling and marketing costs	-	2,658
Administrative expenses	-	4,527
	-----	-----
	-	7,185
Other operating income	-	(3)
	-----	-----
	-	7,182
	=====	=====

4. LOSS ON TERMINATION OF OPERATIONS:

The loss on termination of operations for the year ended 30 June 1996 (£9,188,000) relates to redundancy costs and other expenses incurred as a direct result of the decision to terminate the Company's operations.

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Interest on finance leases	-	11
	=====	=====



# NOTES TO THE ACCOUNTS - continued

## 6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

The loss on ordinary activities before taxation is stated after charging:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Staff costs (Note 7)	- =====	3,770 =====

Auditors' remuneration, including amounts for non-audit services, is borne by another group undertaking.

## 7. STAFF COSTS:

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

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Wages and salaries	-	3,337
Social security costs	-	300
Other pension costs	-	133
	-----	-----
	-	3,770
	=====	=====

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

<u>1997</u> <u>Number</u>	<u>1996</u> <u>Number</u>
-	176
=====	=====

As explained in Note 2, prior to the cessation of operations the administrative personnel resources of the Company were provided by other members of the Newscorp Investments Limited group. Consequently all administrative staff costs were shown in the group undertaking and a recharge was made to the company for the services of personnel.

## Directors' Remuneration:

The Directors of the Company received no remuneration for their services to the company during the year (1996 - £nil). The Directors received emoluments for their services provided to other group undertakings as disclosed in the accounts of those companies.

# NOTES TO THE ACCOUNTS - continued

## 8. TAXATION:

Due to the availability of tax losses there is no UK Corporation tax charge. No provision is required for deferred taxation as, in the opinion of the Directors, the Company has available taxation losses in excess of any potential liability to deferred taxation.

## 9. DEBTORS - amounts falling due within one year:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Due from group undertakings	59,571	10,423
Other debtors	2	1
	<hr/>	<hr/>
	59,573	10,424
	<hr/> <hr/>	<hr/> <hr/>

## 10. CASH AT BANK:

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

## 11. CREDITORS: amounts falling due within one year:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Due to group undertakings	185,231	136,209
VAT	-	188
Other creditors	87	165
	<hr/>	<hr/>
	185,318	136,562
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## NOTES TO THE ACCOUNTS - continued

### 12. CAPITAL AND RESERVES:

a)	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Called-up share capital		
Authorised, issued, called-up and fully-paid: 493,200,000 ordinary shares of 10 pence each	49,320 =====	49,320 =====
b)	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Reconciliation of movements in shareholders' funds:		
Loss for the financial year	-	(15,613)
Opening shareholders' deficit	(125,745) -----	(110,132) -----
Closing shareholders' deficit	(125,745) =====	(125,745) =====

### 13. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

There are no capital commitments outstanding at 30 June 1997 (1996 - Nil).

### 14. FUNDING:

The net liabilities of the Company are £125,745,000 at 30 June 1997 (1996 - £125,745,000). The Company's immediate parent, News International plc, has confirmed its intention of providing continuing financial support to enable the Company to meet its liabilities as they fall due.

### 15. ULTIMATE PARENT COMPANY:

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

The largest group in which the results of the Company are consolidated is that headed by The News Corporation Limited, whose principal place of business is at Holt Street, Sydney, New South Wales, Australia. The smallest group in which they are consolidated is that headed by Newscorp Investments Limited, a company incorporated in England. The consolidated accounts of these groups will be available to the public and may be obtained from PO Box 495, Virginia Street, London, E1 9XY.