

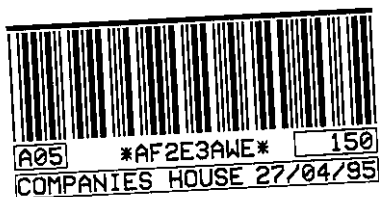
ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO, SC

NEWS (UK) LIMITED

ACCOUNTS - 30 JUNE 1994

TOGETHER WITH DIRECTORS'
AND AUDITORS' REPORTS



The company's registered number is 1879283.

NEWS (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1994

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 1994.

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:

The principal activity of the Company is the production and publishing of the Today newspaper.

The Company generated turnover for the year of £39,332,000 (1993 - £36,055,000) resulting in a loss on ordinary activities before tax of £4,823,000 (1993 - £9,953,000). The Directors expect the general level of activity to continue for the foreseeable future.

RESULTS AND DIVIDENDS:

	<u>£'000</u>
Accumulated deficit at 30 June 1993	141,408
Loss for the financial year	4,823
	<hr/>
Accumulated deficit at 30 June 1994	146,231
	<hr/> <hr/>

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

NEWS (UK) LIMITED

DIRECTORS AND THEIR INTERESTS:

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

J D Dux (resigned 17 March 1995)
A A Fischer (resigned 15 March 1995)
K R Murdoch
P W Stehrenberger
R M Linford (appointed 15 March 1995)
J E Widdows (appointed 17 March 1995)

The interests of P W Stehrenberger, K R Murdoch, A A Fischer and J D Dux in the shares of the ultimate parent company, The News Corporation Limited and the immediate parent company, News International plc are disclosed in the annual report of News International plc.

No other Director had any interest requiring disclosure under Schedule 7 of the Companies Act 1985.

TANGIBLE FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 8 to the accounts.

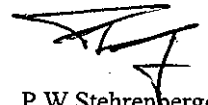
AUDITORS:

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

21 April 1995


P W Stehrenberger
Director

London

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
NEWS (UK) LIMITED

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention, and the accounting policies set out on pages 4 and 5.

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

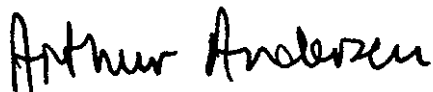
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 below, we draw attention to Note 13, which explains why the Directors have drawn up the accounts on a going concern basis despite the 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 1994 and of its loss 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

21 April 1995

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 with the preceding year.

In accordance with the provisions of Financial Reporting Standard ("FRS") No. 1, a cash flow statement has not been prepared since the company is a wholly owned subsidiary of a body corporate incorporated in the European Community (Note 14). A consolidated cash flow statement is included in the accounts of the immediate parent which meets the conditions of the FRS.

TURNOVER:

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

TANGIBLE FIXED ASSETS:

Tangible fixed assets are stated at cost.

Fixed assets are depreciated over their expected useful economic lives or anticipated length of use by the Company 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	-	20% per annum

TAXATION:

Corporation tax is provided on taxable profits after group relief at current rates. It is the policy of News International plc group companies not to make payments to fellow subsidiary 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.

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.

PRINCIPAL ACCOUNTING POLICIES - continued

PENSION COSTS:

In accordance with the provisions of SSAP 24, pension costs are charged against profit in a systematic manner over the service lives of employees in each scheme. The amount charged to the profit and loss account for defined contribution schemes is the contributions payable in the year.

NEWS (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1994

		<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
	<u>Notes</u>		
TURNOVER	1	39,332	36,055
Cost of sales		(32,708)	(30,732)
		<hr/>	<hr/>
GROSS PROFIT		6,624	5,323
Other operating expenses (net)	3	(11,415)	(15,020)
		<hr/>	<hr/>
OPERATING LOSS		(4,791)	(9,697)
Interest payable and similar charges	4	(32)	(256)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(4,823)	(9,953)
Taxation	7	-	-
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR		(4,823)	(9,953)
ACCUMULATED DEFICIT, brought forward		(141,408)	(131,455)
		<hr/>	<hr/>
ACCUMULATED DEFICIT, carried forward		(146,231)	(141,408)
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £4,823,000 in the year ended 30 June 1994 and of £9,953,000 in the year ended 30 June 1993.

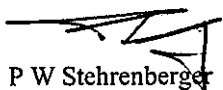
The accompanying principal accounting policies and notes are an integral part of this statement.

NEWS (UK) LIMITED

BALANCE SHEET - 30 JUNE 1994

	<u>Notes</u>	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	8	-	1,000
		_____	_____
CURRENT ASSETS			
Debtors	9	27,456	29,386
Cash at bank and in hand		-	1
		_____	_____
		27,456	29,387
CREDITORS: Amounts falling due within one year	10	(124,207)	(122,315)
		_____	_____
NET CURRENT LIABILITIES		(96,751)	(92,928)
		_____	_____
NET LIABILITIES	13	(96,751)	(91,928)
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	11	49,320	49,320
Share premium account		160	160
Profit and loss account		(146,231)	(141,408)
		_____	_____
TOTAL CAPITAL EMPLOYED	11	(96,751)	(91,928)
		=====	=====

SIGNED ON BEHALF OF THE BOARD ON 21 APRIL 1995


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 1994

1. SEGMENTAL INFORMATION:

Substantially all the Company's turnover and profit are derived from printing and publishing activities in the United Kingdom.

2. RELATED PARTY TRANSACTIONS:

The Company distributes its national newspaper through one fellow subsidiary undertaking and sells all of its advertising space to another. Accordingly, substantially all of the Company's turnover is derived from those undertakings.

Production and printing services together with administrative and support services, including personnel resources, are supplied by other members of the News International plc group.

Therefore substantially all of the Company's reported activity relates to group transactions which, in the opinion of the Directors, are conducted on an arms length basis.

3. OTHER OPERATING EXPENSES (NET):

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Selling and marketing costs	5,908	5,813
Administrative expenses	7,024	9,216
	<hr/>	<hr/>
	12,932	15,029
Other operating income	(1,517)	(9)
	<hr/>	<hr/>
	<u>11,415</u>	<u>15,020</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
On loans repayable within 5 years, not by instalments, to group undertakings	32	-
On all other loans	-	256
	<hr/>	<hr/>
	<u>32</u>	<u>256</u>

Interest on all other loans is that charged by the immediate parent company on current account balances at a market rate.

NOTES TO THE ACCOUNTS - continued

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Hire of plant and machinery	58	63
Other operating lease rentals	83	-
Staff costs (Note 6)	4,084	6,387
	<u> </u>	<u> </u>

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

6. STAFF COSTS:

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

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Wages and salaries	3,527	5,615
Social security costs	335	520
Other pension costs	222	252
	<u> </u>	<u> </u>
	4,084	6,387
	<u> </u>	<u> </u>

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

<u>1994</u> <u>Number</u>	<u>1993</u> <u>Number</u>
97	161
<u> </u>	<u> </u>

During the year the employees of the Company were transferred to a fellow group undertaking.

Directors' Remuneration:

No Director received any remuneration for his services to the Company during the current or prior year.

NOTES TO THE ACCOUNTS - continued

Pensions:

The Company participates in a defined contribution scheme operated by the News International plc group. The assets of the scheme are held in separate externally administered trust funds, which are fully funded. The pension charge represents contributions payable to the fund of £222,000 (1993 - £252,000).

7. 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.

NOTES TO THE ACCOUNTS - continued

8. TANGIBLE FIXED ASSETS:

	<u>Leasehold Improvements and other property £'000</u>	<u>Plant Machinery and Equipment £'000</u>	<u>Fixtures Fittings and motor vehicles £'000</u>	<u>Total £'000</u>
COST:				
Beginning of year	297	12,231	340	12,868
Disposals	-	(5,791)	-	(5,791)
End of year	<u>297</u>	<u>6,440</u>	<u>340</u>	<u>7,077</u>
DEPRECIATION:				
Beginning of year	297	11,231	340	11,868
Disposals	-	(4,791)	-	(4,791)
End of year	<u>297</u>	<u>6,440</u>	<u>340</u>	<u>7,077</u>
NET BOOK VALUE:				
Beginning of year	-	1,000	-	1,000
End of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

9. DEBTORS:

	<u>1994 £'000</u>	<u>1993 £'000</u>
Trade debtors	-	9
Due from fellow subsidiary undertakings	27,025	28,979
VAT	354	-
Prepayments and accrued income	68	398
Other debtors	9	-
	<u>27,456</u>	<u>29,386</u>

NOTES TO THE ACCOUNTS - continued

10. CREDITORS - Amounts falling due within one year:

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Obligations under finance leases	-	552
Bank overdrafts	91,095	84,672
Trade creditors	343	70
Due to fellow subsidiary undertakings	11,771	17,311
Due to immediate parent company	3,745	2,097
Social security and PAYE	-	185
VAT	-	485
Other creditors	555	687
Accruals and deferred income	16,698	16,256
	<hr/>	<hr/>
	<u>124,207</u>	<u>122,315</u>

The bank overdrafts are part of a collective group facility and are covered by multilateral guarantees given by News International plc and its subsidiary undertakings.

11. CAPITAL AND RESERVES:

a)	Called-up share capital	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
	Authorised, issued, called-up and fully-paid: 493,200,000 ordinary shares of 10 pence each	<u>49,320</u>	<u>49,320</u>
b)	Reconciliation of movements in shareholders' funds:	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
	Loss for the financial year	(4,823)	(9,953)
	Issue of ordinary shares	-	49,120
		<hr/>	<hr/>
	Net (decrease)/increase in shareholders' funds	(4,823)	39,167
	Opening shareholders' funds	(91,928)	(131,095)
		<hr/>	<hr/>
	Closing shareholders' funds	<u>(96,751)</u>	<u>(91,928)</u>

NOTES TO THE ACCOUNTS - continued

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

- a) The maturity of obligations under finance leases is as follows:

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Due within 1 year	-	552
Due within 2 to 5 years	-	-
	<hr/>	<hr/>
	-	552
	<hr/>	<hr/>

The minimum annual rentals under foregoing operating leases are as follows:

	<u>Plant and Machinery</u>	
	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Operating leases which expire		
- within one year	8	2
- within two to five years	55	2
	<hr/>	<hr/>

- b) There are no capital commitments outstanding at 30 June 1994 (1993 - Nil).
- c) Under a collective group banking facility the Company has given multilateral guarantees in respect of the bank overdrafts of other group companies.

13. FUNDING:

The net liabilities of the Company are £96,751,000 at 30 June 1994 (1993 - £91,928,000). The Company's immediate parent has confirmed its intention of providing continuing financial support to enable the Company to meet its liabilities as they fall due.

14. 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, incorporated in South Australia, 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 News International plc, a company incorporated in England. The consolidated accounts of these groups are available to the public and are obtainable from PO Box 495, Virginia Street, London, E1 9XY.