

NEWS (U.K.) LIMITED

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ACCOUNTS -- 30 SEPTEMBER 1988

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

NEWS (U.K.) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER '988

The directors present their annual report on the affairs of the company together with the accounts and auditors' report, for the year ended 30 September 1988.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company continues to be the production, publishing and distribution of the "Today" national daily newspaper.

The company generated turnover for the year of £25,197,000, a substantial increase from the 1987 turnover of £18,404,000. This, together with lower costs, resulted in a reduction of the loss from £30,897,000 in 1987 to £16,869,000 this year. The directors expect a further increase in sales in the coming year, which will produce another reduction in the losses.

RESULTS FOR THE YEAR:

	£'000
Accumulated loss at 30 September 1987	(56,251)
Loss for the year	(16,869)

Accumulated loss at 30 September 1988	(73,120)
	=====

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 period and their interests in the issued share capital of the company are as shown below-

	Interest in ordinary shares at 30 September 1988	Interest in ordinary shares at 30 September 1987
S.E. Shah (Chairman) (resigned 20 November 1987)	-	200,000
H. Graham (resigned 20 November 1987)	-	-
Lord Harris of Greenwich (resigned 15 January 1988)	-	-
B. Nicholson (resigned 22 January 1988)	-	-
C.J. Allwood	-	-
W.A. Gillespie	-	-
D.J. Montgomery	-	-
K.R. Murdoch	-	-
W.A. O'Neill	-	-
E. Rogers	-	-
P.W. Stehrenberger	-	-
	=====	=====

At 30 September 1988, D.J. Montgomery held 200 special dividend shares of 25p each in News International plc and 100 ordinary shares of 50 cents Australian in The News Corporation Limited.

K.R. Murdoch, W.A. O'Neill and P.W. Stehrenberger have interests in the parent companies which are disclosed in the accounts of News International plc.

FIXED ASSETS:

Information relating to changes in fixed assets is given in Notes 10 and 11 to the accounts.

DISABLED EMPLOYEES:

The company recognises its obligations towards disabled persons. Applications for employment of disabled persons are given full consideration with due regard to their abilities.

EMPLOYEE CONSULTATIONS:

The company consults employees on a regular basis providing them with information on matters of concern to them and encourages the involvement of the employees in the company's performance.

DIRECTORS' REPORT (Continued)

AUDITORS:

Since the last Annual General Meeting Peat Marwick McLintock & Co. have resigned as auditors and Arthur Andersen & Co. have been appointed in their place.

A resolution for the re-appointment of Arthur Andersen & Co. as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

BY ORDER OF THE BOARD,

E. Rogers
Secretary

7 September 1989

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R 2PS

To the Members of NEWS (U.K.) LIMITED:

We have audited the accounts on pages 5 to 16 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the company at 30 September 1988 and of the loss and source and application of funds for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, we draw attention to Note 19, which outlines the consideration given by the directors to the net liability position of the company.

Arthur Andersen & Co.

7 September 1989

NEWS (U.K.) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING:

The accounts are prepared under the historical cost convention. They have been prepared on the going concern basis, News International plc having declared its intention to make available sufficient funds to enable the company to meet its financial obligations as they fall due.

STOCKS:

Stocks are valued at the lower of cost and net realisable value.

FIXED ASSETS AND DEPRECIATION:

Tangible fixed assets are stated at cost less accumulated depreciation.

Fixed assets are depreciated over their estimated useful lives. Principal rates, using the straight-line basis, are as follows-

Short leasehold land and buildings	- term of lease
Printing presses	- 14.3% of cost
Plant and machinery	- 10%-20% of cost
Motor vehicles	- 20% of cost

Assets held under hire purchase agreements as defined by SSAP 21 are capitalised net of finance charges and written off in accordance with the depreciation policies stated above. The related obligations under the terms of the agreements or leases are included in creditors net of future interest charges.

Interest charges are written off to the profit and loss account using the sum of the digits method.

PENSION COSTS:

It is the general policy of the company to fund pension liabilities, on the advice of external actuaries, by payments to independent trusts or to insurance companies. Payments made to the funds and charged in the accounts represent liabilities in respect of current and past service contributions. Independent actuarial valuations on an aggregate funding basis are generally carried out every three years.

PRINCIPAL ACCOUNTING POLICIES (Continued)

TAXATION:

Deferred taxation is provided 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.

NEWS (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR TO 30 SEPTEMBER 1988

		30 September 1988 £'000	30 September 1987 £'000
	<u>Notes</u>		
TURNOVER	2	25,197	18,404
Cost of sales		(25,554)	(27,892)
GROSS LOSS		(357)	(9,488)
Other operating expenses (net)	3	(15,852)	(21,715)
OPERATING LOSS		(16,209)	(31,203)
Investment income	4	-	515
Interest payable and similar charges	5	(660)	(209)
LOSS FOR THE FINANCIAL YEAR	6	(16,869)	(30,897)
ACCUMULATED DEFICIT brought forward		(56,251)	(25,354)
ACCUMULATED DEFICIT carried forward		(73,120)	(56,251)

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

NEWS (U.K.) LIMITED


BALANCE SHEET --- 30 SEPTEMBER 1988

	<u>Notes</u>	<u>30 September 1988 £'000</u>	<u>30 September 1987 £'000</u>
FIXED ASSETS			
Tangible assets	10	12,097	12,059
CURRENT ASSETS			
Stocks	12	247	384
Debtors	13	13,727	3,635
Cash at bank and in hand		4	-
		13,978	4,019
CREDITORS: Amounts falling due within one year	14	(36,275)	(14,477)
NET CURRENT LIABILITIES		(22,297)	(10,458)
TOTAL ASSETS LESS CURRENT LIABILITIES		(10,200)	1,601
CREDITORS: Amounts falling due after more than one year	15	(62,560)	(57,492)
NET LIABILITIES		(72,760)	(55,891)
CAPITAL AND RESERVES			
Called-up share capital	16	200	200
Share premium account	17	160	160
Profit and loss account	17	(73,120)	(56,251)
		(72,760)	(55,891)

SIGNED ON BEHALF OF THE BOARD

P.W. Stehrenberger)
W.A. O'Neill) Directors

7 September 1989



The accompanying notes are an integral part of this balance sheet.

NEWS (U.K.) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR TO 30 SEPTEMBER 1988

	30 September 1988 £'000	30 September 1987 £'000
SOURCE OF FUNDS		
Increase in creditors falling due after one year	5,068	25,381
	-----	-----
	5,068	25,381
	-----	-----
APPLICATION OF FUNDS		
Loss before taxation	(16,869)	(30,897)
Adjustments for items not involving the movement of funds		
- depreciation	2,770	3,376
- fixed asset disposals	506	154
Purchase of tangible fixed assets	(3,314)	(647)
	-----	-----
DECREASE IN WORKING CAPITAL	(11,839)	(2,633)
	=====	=====
COMPONENTS OF DECREASE IN WORKING CAPITAL		
Stocks	(137)	(69)
Debtors	10,092	(1,253)
Creditors falling due within one year	(6,386)	5,971
	-----	-----
Movement in net liquid funds		
- increase in overdraft	(15,412)	(7,149)
- increase (decrease) in cash at bank and in hand	4	(133)
	-----	-----
	(15,408)	(7,282)
	-----	-----
	(11,839)	(2,633)
	=====	=====

The accompanying notes are an integral part of this statement.

NEWS (U.K.) LIMITED

NOTES TO THE ACCOUNTS -- 30 SEPTEMBER 1988

1. PRINCIPAL ACTIVITIES OF THE COMPANY:

The company's turnover is derived from production and publishing activities in the United Kingdom.

2. TURNOVER:

Turnover represents the total sales of goods and services within the United Kingdom net of discounts, allowances and value added tax.

3. OTHER OPERATING EXPENSES (NET):

	30 September 1988 £'000	30 September 1987 £'000
Distribution costs	1,097	3,851
Administrative expenses	4,998	7,431
Selling and marketing costs	9,757	10,433
	-----	-----
	15,852	21,715
	=====	=====

4. INVESTMENT INCOME:

Investment income comprises-

	30 September 1988 £'000	30 September 1987 £'000
Loan stock interest waived	-	514
Bank deposits	-	1
	-----	-----
	-	515
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	30 September 1988 £'000	30 September 1987 £'000
On bank loans and overdrafts, and other loans - repayable within five years by instalments	660	209
	=====	=====

Interest on the prior lien loan notes and debenture stock 1991 has been waived by the issuer, News International plc (Note 15).

NOTES TO THE ACCOUNTS (Continued)

6. LOSS FOR THE FINANCIAL YEAR:

The loss for the financial year is arrived at after charging the following-

	<u>30 September 1988</u> £'000	<u>30 September 1987</u> £'000
Hire of plant and machinery	53	746
Other lease charges	315	885
Depreciation of fixed assets		
- held under hire purchase agreements	2,113	2,023
- other	657	1,353
Directors' remuneration (Note 7)	-	21
Auditors' remuneration	40	57
Finance charges payable in respect of hire purchase contracts	974	1,061
Staff costs (Note 8)	10,746	12,692
	=====	=====

7. DIRECTORS' REMUNERATION:

	<u>30 September 1988</u> £'000	<u>30 September 1987</u> £'000
Executive remuneration including expense allowances and benefits in kind	-	21
	=====	=====

The directors' remuneration shown above (excluding pensions and pension contributions) included-

	<u>30 September 1988</u>	<u>30 September 1987</u>
Chairman	£ Nil	£ Nil
	=====	=====
Highest paid director	£ Nil	£ 19,356
	=====	=====

The following table shows the number of other directors whose duties were wholly or mainly discharged in the United Kingdom and whose emoluments, excluding pension contributions and compensation for loss of office, fell within the ranges stated-

	<u>1988 Number</u>	<u>1987 Number</u>
Up to £ 5,000	9	18
	===	===

NOTES TO THE ACCOUNTS (Continued)

8. STAFF COSTS:

Employee costs amounted to-

	<u>30 September</u> <u>1988</u> <u>£'000</u>	<u>30 September</u> <u>1987</u> <u>£'000</u>
Wages and salaries	9,342	11,041
Social security costs	850	1,045
Other pension costs	554	606
	<u>10,746</u>	<u>12,692</u>
	=====	=====

The average number of persons employed by the group during the year was as follows-

	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
Editorial	222	242
Production	200	217
Other	70	76
	<u>492</u>	<u>535</u>
	===	===

The number of employees other than directors, whose duties were wholly or mainly discharged in the United Kingdom, received remuneration (excluding pension contributions) in the following ranges-

	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
£30,001 - £35,000	24	27
£35,001 - £40,000	9	10
£40,001 - £45,000	6	4
£45,001 - £50,000	2	3
	===	===

9. TAXATION:

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)

10. TANGIBLE FIXED ASSETS:

	Leasehold improvements and other <u>accommodation</u> £'000	Plant and <u>machinery</u> £'000	Fixtures, fittings equipment and motor <u>vehicles</u> £'000	Construc- tion in <u>progress</u> £'000	<u>Total</u> £'000
COST-					
Beginning of year	1,527	14,588	345	354	16,814
Additions	24	2,912	50	328	3,314
Transfers		682		(682)	-
Disposals	-	(729)		-	(729)
	-----	-----	-----	-----	-----
End of year	1,551	17,453	395	-	19,399
	-----	-----	-----	-----	-----
DEPRECIATION-					
Beginning of year	436	4,191	128	-	4,755
Charge for the period	319	2,375	76	-	2,770
Disposals		(223)	-	-	(223)
	-----	-----	-----	-----	-----
End of year	755	6,343	204	-	7,302
	-----	-----	-----	-----	-----
NET BOOK VALUE					
Beginning of year	1,091	10,397	217	354	12,059
	=====	=====	=====	=====	=====
NET BOOK VALUE					
End of year	796	11,110	191	-	12,097
	=====	=====	=====	=====	=====
LEASED ASSETS INCLUDED IN THE ABOVE-					
- net book value (1987)	1,091	8,411	-	-	9,502
	=====	=====	=====	=====	=====
- net book value (1988)	795	9,000	-	-	9,795
	=====	=====	=====	=====	=====

11. FIXED ASSET INVESTMENTS:

The company had the following wholly owned subsidiaries at 30 September 1988, all of which are incorporated in England.

News Distribution Limited
Dikappa (number 340) Limited
Dikappa (number 341) Limited
Dikappa (number 342) Limited
Colourco Limited
News Distribution (London) Limited
Printco Four Limited

Consolidated accounts have not been prepared as the subsidiaries have not traded since incorporation, and in the opinion of the directors the value of the net investment in these companies at 30 September 1988 was £Nil (1987 - £Nil).

NOTES TO THE ACCOUNTS (Continued)

12. STOCKS:

The following are included in the net book value of stocks--

	30 September 1988 <u>£'000</u>	30 September 1987 <u>£'000</u>
Raw materials and consumables	247 =====	384 =====

13. DEBTORS:

The following are included in the net book value of debtors--

	30 September 1988 <u>£'000</u>	30 September 1987 <u>£'000</u>
Trade debtors	184	1,791
Amounts owed by holding company and fellow subsidiaries	12,157	1,452
VAT	24	151
Other debtors	94	47
Prepayments and accrued income	1,268	194
	<u>13,727</u> =====	<u>3,635</u> =====

14. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	30 September 1988 <u>£'000</u>	30 September 1987 <u>£'000</u>
Obligations under hire purchase contracts	2,458	1,268
Bank loans and overdrafts	22,561	7,149
Trade creditors	411	3,812
Amounts owed to fellow subsidiaries	7,844	185
Amounts owed to holding company	88	-
Other creditors		
- UK corporation tax payable	58	133
- social security and PAYE	390	485
- other creditors	2,465	1,445
	<u>36,275</u> =====	<u>14,477</u> =====

NOTES TO THE ACCOUNTS (Continued)

15. CREDITORS- AMOUNTS FALLING DUE AFTER ONE YEAR:

	<u>30 September 1988</u> £'000	<u>30 September 1987</u> £'000
Hire purchase	8,440	8,372
Prior lien secured loan notes	30,120	25,120
Debenture Stock 1991	24,000	24,000
	-----	-----
	62,560	57,492
	=====	=====

The above prior lien secured loan notes and debenture stock 1991 amounts are due to News International plc and, as described in Note 5, the interest on these amounts has been waived.

16. SHARE CAPITAL:

	<u>30 September 1988</u> £'000	<u>30 September 1987</u> £'000
Authorised-		
9,000,000 ordinary shares of 10 pence each	900	900
	=====	=====
Allotted, called up and fully paid-		
2,000,000 ordinary shares of 10 pence each	200	200
	=====	=====

17. RESERVES:

	<u>Share premium account</u> £'000	<u>Profit and loss account</u> £'000
At 30 September 1987	160	(56,251)
Loss for the financial period	-	(16,869)
	-----	-----
At 30 September 1988	160	(73,120)
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

The maturity of obligations under hire purchase agreements is as follows-

	30 September 1988 <u>£'000</u>	30 September 1987 <u>£'000</u>
Due within one year	2,458	1,268
Due between two and five years	8,840	8,372
	-----	-----
	11,298	9,640
	=====	=====

As at 30 September the minimum annual rentals under the foregoing leases are as follows-

	<u>Land and Buildings</u> £000's	<u>Plant and Machinery</u> £000's
Operating leases which expire:		
- within 1 year	-	30
- between 2-5 years	281	150
- after 5 years	197	-
	=====	=====

19. COMPANY FINANCING:

The liabilities of the company exceeded the total assets at the balance sheet date. The holding company has indicated that it will continue to provide the necessary support to enable the company to meet its liabilities as they fall due.

20. HOLDING COMPANY:

At 30 September 1988 the company was a subsidiary of News International plc, a company incorporated in Great Britain. The ultimate holding company is The News Corporation Limited, a company incorporated in South Australia.