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NEWS (U.K.) LIMITED
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ACCOUNTS -- 30 SEPTEMBER 1987

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



NEWS (U.K.) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 1987

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 1987.

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.

In May 1987, the company ceased publishing "Sunday Today" because of its continuing poor trading performance and successfully negotiated a contract to print copies of the "News of the World".

The directors expect the general level of activity to increase during the ensuing year. Increased circulation and advertising revenue and lower cost levels are expected to result in a reduced loss for the forthcoming year.

CHANGE OF OWNERSHIP:

On 3 July 1987 News International PLC purchased from Lonrho PLC its controlling interest in News (U.K.) Limited and took over the company's outstanding loan stocks. On 30 November 1987, the former chairman's shareholding was transferred to News International PLC.

RESULTS AND DIVIDENDS:

Results are as follows-

	£000's
Accumulated loss at 30 September 1986	(25,354)
Loss for the year	(30,897)
Accumulated loss at 30 September 1987	<u>(56,251)</u>

The company does not have any distributable reserves and accordingly no dividends 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 1987	Interest in ordinary shares at 30 September 1986*
S.E. Shah (Chairman) (resigned 20 November 1987)	200,000	200,000
H. Graham (resigned 20 November 1987)	-	-
Lord Harris of Greenwich (resigned 15 January 1988)	-	-
B.T.G. Nicholson (resigned 22 January 1988)	-	-
R.W. Rowland (resigned 2 July 1987)	-	-
T.J. Robinson (resigned 2 July 1987)	-	-
N.J. Morrell (resigned 2 July 1987)	-	-
D.W. Hackett (resigned 2 July 1987)	-	-
B.M. Wexham (resigned 2 July 1987)	-	-
J.H. Gunn (resigned 5 May 1987)	-	-
T.F. Cassidy (resigned 11 May 1987)	-	-
B.W. Male (resigned 5 January 1987)	-	-
N. Dunn (resigned 1 July 1987)	-	-
C.J. Allwood (appointed 2 July 1987)	-	-
W.A. Gillespie (appointed 2 July 1987)	-	-
D.J. Montgomery (appointed 2 July 1987)	-	-
K.R. Murdoch (appointed 2 July 1987)	-	-
W.A. O'Neill (appointed 2 July 1987)	-	-
E. Rogers (appointed 4 July 1987)	-	-
P.W. Stehrenberger (appointed 2 July 1987)	-	-
	=====	=====

* Date of appointment if later

At 30 September 1987 D.J. Montgomery held 50 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.

S.E. Shah resigned as chairman on 20 November 1987 and transferred his shareholding to News International plc at that date.

FIXED ASSETS:

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

DIRECTORS' REPORT (Continued)

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 CONSULTATION:

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.

AUDITORS:

Since the last annual general meeting Peat Marwick McLintock & Co. have resigned as auditors and Arthur Andersen & Co. appointed in their place.

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

BY ORDER OF THE BOARD,

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

E. Rogers
Secretary

6 September 1989

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R 3PS

To the Members of NEWS (UK) 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 1987 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 18, which outlines the consideration given by the directors to the net liability position of the company.

Arthur Andersen & Co.

6 September 1989

NEWS (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR TO 30 SEPTEMBER 1987

		Year ended 30 September 1987 £'000	26 weeks ended 30 September 1986 £'000
	<u>Notes</u>		
TURNOVER	2	18,404	11,008
Cost of sales		(27,892)	(16,057)
GROSS LOSS		(9,488)	(5,049)
Other operating expenses (net)	3	(21,715)	(10,288)
OPERATING LOSS		(31,203)	(15,337)
Investment income	4	515	251
Interest payable and similar charges	5	(209)	(718)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(30,897)	(15,804)
Tax on loss on ordinary activities	9	-	(133)
LOSS FOR THE FINANCIAL YEAR		(30,897)	(15,937)
ACCUMULATED DEFICIT brought forward		(25,354)	(9,417)
ACCUMULATED DEFICIT carried forward		(56,251)	(25,354)
		=====	=====

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

NEWS (U.K.) LIMITED

BALANCE SHEET -- 30 SEPTEMBER 1987

		<u>30 September</u> <u>1987</u> £'000	<u>30 September</u> <u>1986</u> £'000
	<u>Notes</u>		
FIXED ASSETS			
Tangible assets	10	12,059	14,942
		-----	-----
CURRENT ASSETS			
Stocks	12	384	453
Debtors	13	3,635	4,888
Cash at bank and in hand		-	133
		-----	-----
		4,019	5,474
CREDITORS: Amounts falling due within one year	14	(14,477)	(13,299)
		-----	-----
NET CURRENT LIABILITIES		(10,458)	(7,825)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		1,601	7,117
CREDITORS: Amounts falling due after more than one year	15	(57,492)	(32,111)
		-----	-----
NET LIABILITIES		(55,891)	(24,994)
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	16	200	200
Share premium account		160	160
Profit and loss account		(56,251)	(25,354)
		-----	-----
		(55,891)	(24,994)
		=====	=====

SIGNED ON BEHALF OF THE BOARD

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

6 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 ENDED 30 SEPTEMBER 1987

	Year ended 30 September 1987 <u>£'000</u>	26 weeks ended 30 September 1986 <u>£'000</u>
SOURCE OF FUNDS		
Issue of shares	-	110
Increase in creditors falling due after one year	25,381	21,117
	<u>25,381</u>	<u>21,227</u>
FUNDS GENERATED FROM OPERATIONS		
APPLICATION OF FUNDS		
Loss before taxation	(30,897)	(15,804)
Adjustments for items not involving the movement of funds		
- depreciation	3,376	1,212
- fixed asset disposals	154	-
Purchase of tangible fixed assets	(647)	(1,160)
	<u>(2,633)</u>	<u>5,475</u>
(DECREASE) INCREASE IN WORKING CAPITAL	<u>=====</u>	<u>=====</u>
COMPONENTS OF (DECREASE) INCREASE IN WORKING CAPITAL		
Stocks	(69)	(99)
Debtors	(1,253)	(3,891)
Creditors falling due within one year	5,971	5,793
	<u>-----</u>	<u>-----</u>
Movement in net liquid funds		
- (decrease) increase in overdraft	(7,149)	3,539
- (decrease) increase in cash at bank and in hand	(133)	133
	<u>(7,282)</u>	<u>3,672</u>
	<u>(2,633)</u>	<u>5,475</u>
	<u>=====</u>	<u>=====</u>

The accompanying notes are an integral part of this statement.

NEWS (U.K.) LIMITED

NOTES TO THE ACCOUNTS -- 30 SEPTEMBER 1987

1. STATEMENT OF ACCOUNTING POLICIES:

The following is a summary of the principal accounting policies followed by the company in the preparation of the accounts-

a) Accounting convention and basis of disclosure

The accounts have been prepared under the historical cost accounting convention and on a going concern basis since the present holding company has given an undertaking to provide such financial support as may be necessary.

b) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, in the case of raw materials and goods bought for resale, is invoice price on a first-in, first-out basis.

c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Leasehold properties with an unexpired lease period of fifty years or less are written off over the period of lease.

The following annual depreciation rates, which reflect the useful lives of the assets concerned, are applied-

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

d) Assets held under hire purchase agreements

Assets held under hire purchase as defined by SSAP21 are capitalised net of finance charges and written off in accordance with the depreciation policies as 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.

Operating lease rentals are charged against profit on an accruals basis.

NOTES TO THE ACCOUNTS (Continued)

1. STATEMENT OF ACCOUNTING POLICIES (Continued):

e) Taxation

Deferred taxation (which arises for differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

f) Pension costs

It is the general policy of the company to provide for and fund pension liabilities on a going concern basis, on the advice of external actuaries, by payments to independent trusts or to insurance companies. Independent actuarial valuations on a going concern basis are carried out every three years. The amount charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from regular costs are allocated to profit and loss account.

Any difference between the amounts charged in the profit and loss account and paid to the pension fund is shown in the balance sheet as a liability or asset.

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 1987 £'000	26 weeks ended 30 September 1986 £'000
Distribution costs	3,851	3,320
Administrative expenses	7,431	6,968
Selling and marketing costs	10,433	--
	<hr/>	<hr/>
	21,715	10,288
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (Continued)

4. INVESTMENT INCOME:

Investment income comprises:

	30 September 1987 <u>£'000</u>	26 weeks ended 30 September 1986 <u>£'000</u>
Prior year loan stock interest waived	514	-
Bank deposits	1	251
	<u>515</u>	<u>251</u>
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	30 September 1987 <u>£'000</u>	26 weeks ended 30 September 1986 <u>£'000</u>
On bank loans and overdrafts, and other loans repayable within five years, by installments	209	695
Interest on holding company advance	-	23
	<u>209</u>	<u>718</u>
	=====	=====

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

The loss on ordinary activities before taxation is arrived at after charging the following-

	30 September 1987 <u>£'000</u>	26 weeks ended 30 September 1986 <u>£'000</u>
Hire of plant and machinery	746	962
Other lease charges	885	361
Depreciation of fixed assets		
- held under hire purchase agreements	2,023	576
- other	1,353	636
Directors' remuneration (Note 7)	21	83
Auditors' remuneration	57	39
Finance charges payable in respect of hire purchase contracts	1,061	229
Staff costs (Note 8)	12,692	6,207
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

7. DIRECTORS' REMUNERATION:

	<u>30 September</u> <u>1987</u> £'000	<u>26 weeks ended</u> <u>30 September</u> <u>1986</u> £'000
Executive remuneration including expense allowances and benefits in kind	21	66
Pension costs	-	6
Compensation for loss of office	-	11
	-----	-----
Total emoluments	21	83
	=====	=====

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

	<u>30 September</u> <u>1987</u>	<u>26 weeks ended</u> <u>30 September</u> <u>1986</u>
Chairman	£ -	£ 23,119
	=====	=====
Highest paid director	£ 19,356	£ 23,119
	=====	=====

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>1987</u> <u>Number</u>	<u>1986</u> <u>Number</u>
Up to £ 5,000	18	12
£ 5,001 - £10,000	-	2
	===	===

8. STAFF COSTS:

Employee costs amounted to-

	<u>30 September</u> <u>1987</u> £'000	<u>26 weeks ended</u> <u>30 September</u> <u>1986</u> £'000
Wages and salaries	11,041	5,538
Social security costs	1,045	459
Other pension costs	606	210
	-----	-----
	12,692	6,207
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

8. STAFF COSTS (Continued):

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

	<u>1987</u> <u>Number</u>	<u>1986</u> <u>Number</u>
Editorial	242	71
Production	217	179
Other	76	392
	---	---
	535	642
	===	===

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>1987</u> <u>Number</u>	<u>1986</u> <u>Number</u>
£30,001 - £35,000	27	1
£35,001 - £40,000	10	-
£40,001 - £45,000	4	-
£45,001 - £50,000	3	-
	===	===

9. TAXATION:

	30 September 1987 <u>£'000</u>	26 weeks ended 30 September 1986 <u>£'000</u>
Corporation tax on profits for the year at 35%	--	-
Adjustment in respect of prior year	-	133
	-----	-----
	-	133
	=====	=====

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 accommodation £'000	Plant and machinery £'000	Fixtures, fittings equipment and motor vehicles £'000	Capital work in progress £'000	Total £'000
COST-					
At 30 September 1986	1,456	14,446	345	108	16,355
Additions	113	268	20	246	647
Disposals	(42)	(126)	(20)	-	(188)
	-----	-----	-----	-----	-----
At 30 September 1987	1,527	14,588	345	354	16,814
	-----	-----	-----	-----	-----
DEPRECIATION-					
At 30 September 1986	207	1,136	70	-	1,413
Charge	229	3,077	70	-	3,376
Disposals	-	(22)	(12)	-	(34)
	-----	-----	-----	-----	-----
At 30 September 1987	436	4,191	128	-	4,755
	-----	-----	-----	-----	-----
NET BOOK VALUE					
at 30 September 1986	1,249	13,310	275	108	14,942
	=====	=====	=====	=====	=====
NET BOOK VALUE					
at 30 September 1987	1,091	10,397	217	354	12,059
	=====	=====	=====	=====	=====

11. FIXED ASSET INVESTMENTS:

The company had the following wholly owned subsidiaries at 30 September 1987, 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 1987 was ENil (1986 - ENil).

12. STOCKS:

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

	30 September 1987 £'000	30 September 1986 £'000
Raw materials and consumables	384	453
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

13. DEBTORS:

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

	30 September 1987 <u>£'000</u>	30 September 1986 <u>£'000</u>
Trade debtors	1,791	2,789
Amounts owed by holding company and fellow subsidiaries	1,452	-
Other debtors	47	93
VAT	151	751
Prepayments and accrued income	194	1,255
	<u>3,635</u>	<u>4,888</u>
	=====	=====

14. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	30 September 1987 <u>£'000</u>	30 September 1986 <u>£'000</u>
Obligations under finance leases and hire purchase contracts	1,268	2,032
Bank loans and overdrafts	7,149	-
Trade creditors	3,812	5,759
UK Corporation tax payable	133	133
Social security and PAYE	485	742
Other creditors	1,445	1,810
Amount owed to holding company	185	2,823
	<u>14,477</u>	<u>13,299</u>
	=====	=====

15. CREDITORS- AMOUNTS FALLING DUE AFTER ONE YEAR:

	30 September 1987 <u>£'000</u>	30 September 1986 <u>£'000</u>
Hire purchase	8,372	7,421
Prior lien secured loan notes	25,120	-
Debenture	24,000	24,000
Interest on loan stock	-	690
	<u>57,492</u>	<u>32,111</u>
	=====	=====

The debenture stock, on which interest is payable at a variable rate based on 1/4% over LIBOR, was issued on 16 June 1986 and is repayable on demand after 16 June 1991.

NOTES TO THE ACCOUNTS (Continued)

16. CALLED-UP SHARE CAPITAL:

	30 September 1987 E'000	30 September 1986 E'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. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

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

	30 September 1987 E'000	30 September 1986 E'000
Due within one year	1,268	2,032
Due between two and five years	8,372	7,421
	-----	-----
	9,640 =====	9,453 =====

The company contracted during the year for the purchase of an additional press line for its London printing plant at a cost of £2.2 million. This is to be financed by means of a hire purchase agreement.

As at 30 September, the minimum annual rentals under the foregoing leases are as follow .

	E'000
Land and buildings	
- due within one year	469
- due between two to five years	1,356
- due over five years	5,845
Other operating leases	961
	=====

NOTES TO THE ACCOUNTS (Continued)

18. COMPANY FINANCING:

The liabilities of the company exceed the total assets. 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.

19. ULTIMATE HOLDING COMPANY:

At 30 September 1987 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.

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