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NEWS (U.K.) LIMITED  
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ACCOUNTS -- 30 JUNE 1990

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

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NEWS (U.K.) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1990

The directors present their annual report on the affairs of the company together with the accounts and auditors' report, for the year ended 30 June 1990.

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.

During the year ended 30 June 1990, the company generated turnover of £36,422,000 (nine months ended 30 June 1989 - £26,043,000) resulting in a loss before tax of £11,640,000 (nine months ended June 1989 - £9,344,000). The directors expect the general level of activity to continue for the foreseeable future.

RESULTS FOR THE YEAR:

	£'000
Accumulated deficit at 30 June 1989	82,506
Loss for the period	11,641
	-----
Accumulated deficit at 30 June 1990	94,147
	=====

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-

C.J. Allwood (resigned 18 June 1990)  
J.D. Dux (appointed 28 March 1990)  
A.A. Fischer (appointed 1 January 1990)  
W.A. Gillespie (resigned 6 April 1990)  
D.J. Montgomery  
K.R. Murdoch  
W.A. O'Neill (resigned 1 January 1990)  
E. Rogers  
P.W. Stehrenberger

P.W. Stehrenberger held 1 ordinary share in the company at 30 June 1990 and 30 June 1989. No other director held any interest in the shares of the company.

The interests of A.A. Fischer, K.R. Murdoch and P.W. Stehrenberger in the shares of News International plc and The News Corporation Limited are disclosed in the accounts of News International plc.

D.J. Montgomery held 200 special dividend shares of 25p in News International plc at 30 June 1990 and 30 June 1989.

The interests of the directors of the company in options on ordinary shares of 50 cents Australian in The News Corporation Limited, the ultimate holding company are as follows-

	At Aus \$13.90 30 June 1990	At Aus \$10.22 30 June 1990	30 June 1989
C.J. Allwood	-	15,000	15,000
D.J. Montgomery	25,000	50,000	50,000
E. Rogers	-	5,000	5,000
	=====	=====	=====

Since the year end J.D. Dux was granted 40,000 options on ordinary shares in the News Corporation Limited at Aus\$12.31.

No other director had any interest in News Corporation Limited group companies requiring disclosure under Schedule 7 of the Companies Act 1985.

### FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 10 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:

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen & Co. as auditors for the ensuing year.

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

BY ORDER OF THE BOARD,

E. Rogers  
Secretary

23 August 1990

ARTHUR ANDERSEN & Co.

1 SURREY STREET  
LONDON WC2R 2PS

Auditors' Report 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 June 1990 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.*

Chartered Accountants  
London

23 August 1990

## 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. The company's accounting policies have been applied consistently throughout the year and the preceding period.

#### TURNOVER:

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

#### STOCKS:

Stocks are valued at the lower of cost and net realisable value. In general, cost represents actual cost of the stock concerned and includes, where appropriate, a proportion of production overheads.

#### TANGIBLE FIXED ASSETS AND DEPRECIATION:

Tangible fixed assets are stated at cost less accumulated depreciation.

Fixed assets are depreciated over their estimated useful lives or anticipated length of use by the company in order to write off the cost. 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	- 25% of cost
Fixtures and fittings	- 20% of cost

NEWS (U.K.) LIMITED

PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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 payment basis.

TAXATION:

Corporation tax payable is provided on taxable profits at current rates. It is the policy of the News International group not to make payment for group relief receivable.

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 or those which will be covered by taxation losses.

NEWS (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1990

		30 June <u>1990</u>  £'000	30 June <u>1989</u>  (nine months) £'000
	<u>Notes</u>		
TURNOVER	1	36,422	26,043
Cost of sales	2	(35,775)	(24,326)
GROSS PROFIT		<u>647</u>	<u>1,717</u>
Other operating expenses (net)	3	(14,330)	(10,757)
OPERATING LOSS		<u>(13,683)</u>	<u>(9,040)</u>
Investment income	4	2,435	358
Interest payable and similar charges	5	(393)	(662)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>(11,641)</u>	<u>(9,344)</u>
Tax charge on loss on ordinary activities	9	-	(42)
LOSS FOR THE FINANCIAL YEAR/PERIOD		<u>(11,641)</u>	<u>(9,386)</u>
ACCUMULATED DEFICIT, brought forward		<u>(82,506)</u>	<u>(73,120)</u>
ACCUMULATED DEFICIT, carried forward		<u>(94,147)</u>	<u>(82,506)</u>

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



NEWS (U.K.) LIMITED

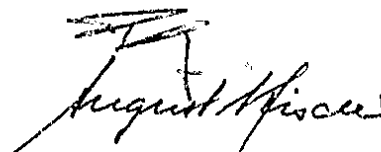
BALANCE SHEET -- 30 JUNE 1990

		30 June 1990 £'000	30 June 1989 £'000
	<u>Notes</u>		
FIXED ASSETS			
Tangible assets	10	6,808	9,763
CURRENT ASSETS			
Stocks	11	60	78
Debtors	12	35,227	30,620
Cash at bank and in hand		9,311	6,337
		44,598	37,035
CREDITORS: Amounts falling due within one year	13	(140,307)	(68,184)
NET CURRENT LIABILITIES		(95,709)	(31,149)
TOTAL ASSETS LESS CURRENT LIABILITIES		(88,901)	(21,386)
CREDITORS: Amounts falling due after more than one year	14	(4,886)	(60,760)
NET LIABILITIES		(93,787)	(82,146)
CAPITAL AND RESERVES			
Called-up share capital	15	200	200
Share premium account	16	160	160
Profit and loss account	16	(94,147)	(82,506)
NET DEFICIT		(93,787)	(82,146)

SIGNED ON BEHALF OF THE BOARD

P.W. Stehrenberger     )  
                                  ) Directors  
A.A. Fischer             )

23 August 1990



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 JUNE 1990

	30 June 1990 E'000	30 June 1989 (nine months) E'000
<b>SOURCE OF FUNDS</b>		
Decrease in net current assets (as shown below)	64,560 =====	8,852 =====
<b>APPLICATION OF FUNDS</b>		
Loss after taxation	11,641	9,386
Adjustments for items not involving the movement of funds		
- depreciation	(2,834)	(2,290)
- fixed asset disposals	(121)	(44)
Total funds applied in operations	8,686	7,052
Decrease in creditors falling due after one year	55,874	1,800
	64,960 =====	8,852 =====
<b>(INCREASE) DECREASE IN NET CURRENT ASSETS</b>		
Stocks	18	169
Debtors	(4,607)	(16,698)
Creditors falling due within one year (other than bank loans and overdrafts)	65,597	54,275
	61,008	37,746
Movement in net liquid funds		
- bank loans and overdrafts	6,526	(22,561)
- cash at bank and in hand	(2,974)	(6,333)
	64,560 =====	8,852 =====

The accompanying notes are an integral part of this statement.

NEWS (U.K.) LIMITED

NOTES TO THE ACCOUNTS -- 30 JUNE 1990

1. PRINCIPAL ACTIVITIES OF THE COMPANY:

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

The company distributes its newspapers through a fellow subsidiary company. Accordingly, the turnover from the sale of those newspapers is derived from that company.

The company also undertakes the production and printing activities of other national newspapers on behalf of other members of the News International plc group. Production related personnel resources and the materials and other external services required for all printing and production are supplied by other members of the News International plc group.

2. RELATED PARTY TRANSACTIONS:

As explained in Note 1, the company distributes its national newspapers through a fellow subsidiary company and obtains various services and supplies from other members of the News International plc group with whom it consequently has significant transactions. These include principally the income received for the sale of newspapers and charges for the supply of personnel resources, premises, management services and centralised procurement of materials and services.

In the opinion of the directors, the above transactions are conducted on an arm's length basis.

3. OTHER OPERATING EXPENSES (NET):

	<u>30 June</u> <u>1990</u>	<u>30 June</u> <u>1989</u> (nine months)
	£'000	£'000
Administrative expenses	7,857	5,152
Selling and marketing costs	6,606	5,787
	<u>14,463</u>	<u>10,939</u>
Other income	(133)	(182)
	<u>14,330</u>	<u>10,757</u>
	=====	=====

4. INVESTMENT INCOME:

Investment income comprises-

	<u>30 June</u> <u>1990</u>	<u>30 June</u> <u>1989</u> (nine months)
	£'000	£'000
Interest on bank deposits	2,435	358
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	30 June 1990	30 June 1989 (nine months)
	£'000	£'000
On loans		
- repayable within five years by instalments	362	662
- repayable within five years not by instalments	31	-
	<u>393</u>	<u>662</u>
	=====	=====

The amounts on loans repayable within 5 years by instalments relates to the interest element of charges payable in respect of hire purchase contracts.

Interest on prior lien loan notes and debenture stock 1991 has been waived by the holder, News International plc.

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

	30 June 1990	30 June 1989 (nine months)
	£'000	£'000
Hire of plant and machinery	54	42
Other lease charges	155	213
Depreciation of fixed assets		
- held under hire purchase agreements	2,114	1,553
- other	720	737
Auditors' remuneration	28	60
Staff costs (Note 8)	12,357	7,983
	<u>=====</u>	<u>=====</u>

7. DIRECTORS' REMUNERATION:

	30 June 1990	30 June 1989 (nine months)
Directors' remuneration (including pensions and pension contributions)	£129,253	£111,872
	=====	=====

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

Chairman	£ -	£ -
	=====	=====
Highest paid director	£113,128	£ 99,122
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

7. DIRECTORS' REMUNERATION (continued):

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>Number</u>	<u>Number</u>
Up to £ 5,000	7	5
	===	===

8. STAFF COSTS:

Employee costs amounted to-

	30 June 1990	30 June 1989 (nine months)
	£'000	£'000
Wages and salaries	10,880	7,015
Social security costs	954	609
Other pension costs	523	359
	-----	-----
	12,357	7,983
	=====	=====

Other pension costs relate to the cost for the year of the company pension scheme which is a defined contribution scheme.

The average number of persons employed by the company during the period was as follows-

	<u>Number</u>	<u>Number</u>
Editorial	229	212
Production	207	191
Other	57	66
	---	---
	493	469
	===	===

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>Number</u>	<u>Number</u>
£30,001 - £35,000	54	27
£35,001 - £40,000	19	19
£40,001 - £45,000	16	8
£45,001 - £50,000	7	6
£50,001 - £55,000	5	-
£55,001 - £60,000	-	1
£60,001 - £65,000	1	-
	===	===

NOTES TO THE ACCOUNTS (Continued)

9. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES:

The tax charge on loss on ordinary activities comprises--

	30 June <u>1990</u>	30 June <u>1989</u> (nine months)
	£'000	£'000
Adjustment of current taxation in respect of prior years	-	42
	===	===

There is no current taxation credit due to the surrender of tax losses to other group companies for no consideration.

No provision is required for deferred taxation as, in the opinion of the directors, the company has available tax losses in excess of any potential liability to deferred taxation.

10. TANGIBLE FIXED ASSETS:

	<u>Leasehold improvements and other property</u> £'000	<u>Plant, machinery and equipment</u> £'000	<u>Fixtures, fittings and motor vehicles</u> £'000	<u>Total</u> £'000
<b>COST-</b>				
Beginning of period	1,551	17,409	369	19,329
Additions	-	-	-	-
Disposals	(156)	(67)	-	(223)
	-----	-----	-----	-----
End of period	1,395	17,342	369	19,106
	-----	-----	-----	-----
<b>DEPRECIATION-</b>				
Beginning of period	961	8,371	234	9,566
Charge for the period	203	2,556	75	2,834
Disposals	(35)	(67)	-	(102)
	-----	-----	-----	-----
End of period	1,129	10,860	309	12,298
	-----	-----	-----	-----
<b>NET BOOK VALUE</b>				
Beginning of period	590	9,038	135	9,763
	=====	=====	=====	=====
<b>NET BOOK VALUE</b>				
End of period	266	6,482	60	6,808
	=====	=====	=====	=====
<b>LEASED ASSETS INCLUDED IN THE ABOVE-</b>				
- net book value (1989)	-	7,803	-	7,803
	=====	=====	=====	=====
- net book value (1990)	-	5,622	-	5,622
	=====	=====	=====	=====

NOTES TO THE ACCOUNTS (Continued)

11. STOCKS:

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

	30 June 1990 <u>£'000</u>	30 June 1989 <u>£'000</u>
Raw materials and consumables	60 =====	78 =====

12. DEBTORS:

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

	30 June 1990 <u>£'000</u>	30 June 1989 <u>£'000</u>
Trade debtors	176	3,192
Amounts owed by fellow subsidiaries	34,229	27,051
VAT	49	-
Other debtors	-	92
Prepayments and accrued income	773	285
	----- 35,227 =====	----- 30,620 =====

13. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	30 June 1990 <u>£'000</u>	30 June 1989 <u>£'000</u>
Obligations under hire purchase contracts	2,033	2,577
Bank loans and overdrafts	6,526	-
Trade creditors	125	194
Prior lien secured loan notes	30,120	-
Debenture stock 1991	24,000	-
Amounts owed to fellow subsidiaries	67,801	62,491
Amounts owed to holding company	-	78
Other creditors		
- social security and PAYE	382	357
- other creditors	1,116	2,292
- VAT	-	195
Accruals and deferred income	8,204	-
	----- 140,307 =====	----- 68,184 =====

# NOTES TO THE ACCOUNTS (Continued)

## 13. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued);

The bank overdraft is part of a collective group facility and is covered by multilateral guarantees given by News International plc and its subsidiaries.

The prior lien secured loan notes and debenture stock 1991 amounts are due to News International plc on 30 June 1991 and, as described in Note 5, the interest on these amounts has been waived.

## 14. CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

	30 June 1990 <u>£'000</u>	30 June 1989 <u>£'000</u>
Hire purchase	4,886	6,640
Prior lien secured loan notes	-	30,120
Debenture Stock 1991	-	24,000
	<u>4,886</u>	<u>60,760</u>
	=====	=====

## 15. SHARE CAPITAL:

	30 June 1990 <u>£'000</u>	30 June 1989 <u>£'000</u>
Authorised-		
9,600,000 ordinary shares of 10 pence each	960	960
	=====	=====
Allotted, called up and fully paid-		
2,000,000 ordinary shares of 10 pence each	200	200
	=====	=====

## 16. RESERVES:

	Share premium <u>account</u> £'000	Profit and <u>loss account</u> £'000
At 30 June 1989	160	(82,506)
Loss for the financial period	-	(11,641)
	<u>160</u>	<u>(94,147)</u>
At 30 June 1990	=====	=====



# NOTES TO THE ACCOUNTS (Continued)

## 17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

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

	30 June <u>1990</u> £'000	30 June <u>1989</u> £'000
Due within one year	2,033	2,577
Due between two and five years	4,886	8,564
	<u>6,919</u>	<u>11,141</u>
	=====	=====

As at 30 June the minimum annual rentals under operating leases are as follows-

	<u>Plant and machinery</u> £'000
Operating leases which expire	
- within 1 year	100
- between 2-5 years	78
	=====

b) There are no capital commitments outstanding at 30 June 1990 (1989 - nil).

c) Under a collective group banking facility the company has given multilateral guarantees in respect of bank overdrafts of other group companies.

## 18. 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.

## 19. HOLDING COMPANY:

At 30 June 1990 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.