

NEWS (UK) LIMITED
ACCOUNTS - 30 JUNE 1996
TOGETHER WITH DIRECTORS'
AND AUDITORS' REPORTS



The company's registered number is 1879283.

NEWS (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1996

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 1996.

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 (The Today). On that date, the Company ceased publishing the newspaper and no longer trades.

The Company generated turnover for the year of £18,373,000 (1995 - £43,254,000) resulting in a loss after tax of £15,613,000 (1995 - £13,381,000).

RESULTS AND DIVIDENDS:

| | <u>£'000</u> |
|-------------------------------------|--------------|
| Accumulated deficit at 30 June 1995 | 159,612 |
| Loss for the financial year | 15,613 |
| | <hr/> |
| Accumulated deficit at 30 June 1996 | 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

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 are disclosed in the annual report of News International plc. The interests of P W Stehrenberger and K R Murdoch in the shares of the immediate parent company, News International plc are disclosed in the accounts of that company.

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

As permitted by the Companies Act 1985 (as amended), the Company has maintained insurance cover for the Directors against liabilities in relation to the Company.

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

14 March 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 13, 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 1996 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

14 March 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 the preceding year.

In accordance with the provisions of Financial Reporting Statement No.1 (revised) ("FRS1"), a cash flow statement has not been prepared since the Company is a wholly owned subsidiary undertaking of a body corporate (Note 14). A consolidated cash flow statement is included in the accounts of The News Corporation Limited ("TNCL"), the ultimate parent company, which meets all other conditions of FRS1.

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 fellow subsidiary undertakings for group relief surrendered.

Deferred taxation is provided for using the liability method for the taxation effects arising from all timing differences (other than those which are expected by the Directors to continue within the foreseeable future) at the rates expected to be in force at the time of reversal.

LEASES:

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

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. Contributions to defined benefit schemes comprise:

- a) The regular pension cost, which is the consistent ongoing cost, calculated as a level percentage of the current and expected future pensionable payroll.
- b) Variations from the regular cost, arising from pension scheme surpluses or deficits allocated over the expected remaining service lives of employees in each scheme.

Any difference between the amounts charged in the profit and loss account and the amounts payable to the schemes for the year are recorded as creditors or prepayments as appropriate.

Certain current and former employees are entitled to post retirement medical benefits, the cost of which is met by the Group. The estimated cost of providing these benefits is charged against profits on a systematic basis over the working lives of these employees within the Group.

NEWS (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1996

| | <u>Notes</u> | <u>1996</u> <u>£'000</u> <u>Discontinued</u> <u>Operations</u> | <u>1995</u> <u>£'000</u> <u>Discontinued</u> <u>Operations</u> |
|------------------------------------------------|--------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|
| TURNOVER | 1 | 18,373 | 43,254 |
| Cost of sales | | (17,605) | (41,516) |
| | | <hr/> | <hr/> |
| GROSS PROFIT | | 768 | 1,738 |
| Other operating expenses (net) | 3 | (7,182) | (15,108) |
| | | <hr/> | <hr/> |
| OPERATING LOSS | | (6,414) | (13,370) |
| Loss on termination of operations | 4 | (9,188) | - |
| Interest payable and similar charges | 5 | (11) | (11) |
| | | <hr/> | <hr/> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | (15,613) | (13,381) |
| Taxation | 8 | - | - |
| | | <hr/> | <hr/> |
| LOSS FOR THE FINANCIAL YEAR | | (15,613) | (13,381) |
| ACCUMULATED DEFICIT, brought forward | | (159,612) | (146,231) |
| | | <hr/> | <hr/> |
| ACCUMULATED DEFICIT, carried forward | | (175,225) | (159,612) |
| | | <hr/> <hr/> | <hr/> <hr/> |

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £15,613,000 in the year ended 30 June 1996 and of £13,381,000 in the year ended 30 June 1995.

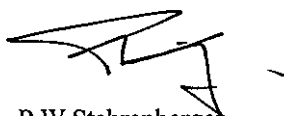
The accompanying principal accounting policies and notes are an integral part of this profit and loss account.

NEWS (UK) LIMITED

BALANCE SHEET - 30 JUNE 1996

| | <u>Notes</u> | <u>1996</u> <u>£'000</u> | <u>1995</u> <u>£'000</u> |
|-------------------------------------------------------|--------------|-----------------------------|-----------------------------|
| CURRENT ASSETS | | | |
| Debtors | 9 | 10,424 | 728,063 |
| Cash at bank and in hand | | 393 | 393 |
| | | <hr/> | <hr/> |
| | | 10,817 | 728,456 |
| CREDITORS: Amounts falling due within one year | 10 | (136,562) | (838,588) |
| | | <hr/> | <hr/> |
| NET CURRENT LIABILITIES | | (125,745) | (110,132) |
| | | <hr/> | <hr/> |
| NET LIABILITIES | 13 | (125,745) | (110,132) |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 11 | 49,320 | 49,320 |
| Share premium account | | 160 | 160 |
| Profit and loss account | | (175,225) | (159,612) |
| | | <hr/> | <hr/> |
| SHAREHOLDERS' FUNDS | 11 | (125,745) | (110,132) |
| | | <hr/> | <hr/> |

SIGNED ON BEHALF OF THE BOARD ON 14 MARCH 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 1996

1. SEGMENTAL INFORMATION:

Substantially all of the Company's turnover and profit 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 The 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 News International plc group.

3. OTHER OPERATING EXPENSES (NET):

| | <u>1996</u> <u>£'000</u> | <u>1995</u> <u>£'000</u> |
|-----------------------------|-----------------------------|-----------------------------|
| Selling and marketing costs | 2,658 | 5,724 |
| Administrative expenses | 4,527 | 9,386 |
| | <u>7,185</u> | <u>15,110</u> |
| Other operating income | (3) | (2) |
| | <u>7,182</u> | <u>15,108</u> |

4. LOSS ON TERMINATION OF OPERATIONS:

The loss on termination of operations of £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>1996</u> <u>£'000</u> | <u>1995</u> <u>£'000</u> |
|--------------------------------------------------|-----------------------------|-----------------------------|
| Charges in respect of capitalized Finance leases | 11 | 11 |

Interest payable on amounts due to News International plc have been waived.

NOTES TO THE ACCOUNTS - continued

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

| | <u>1996</u> <u>£'000</u> | <u>1995</u> <u>£'000</u> |
|-------------------------------|-----------------------------|-----------------------------|
| Other operating lease rentals | - | 139 |
| Staff costs (Note 7) | 3,771 | 7,634 |
| | <u>=====</u> | <u>=====</u> |

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

7. STAFF COSTS:

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

| | <u>1996</u> <u>£'000</u> | <u>1995</u> <u>£'000</u> |
|-----------------------|-----------------------------|-----------------------------|
| Wages and salaries | 3,337 | 6,756 |
| Social security costs | 300 | 608 |
| Other pension costs | 133 | 270 |
| | <u>-----</u> | <u>-----</u> |
| | 3,771 | 7,634 |
| | <u>=====</u> | <u>=====</u> |

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

| <u>1996</u> <u>Number</u> | <u>1995</u> <u>Number</u> |
|------------------------------|------------------------------|
| 176 | 169 |
| <u>=====</u> | <u>=====</u> |

As explained in Note 2, the administrative personnel resources of the Company are provided by other members of the News International plc group. Consequently all administrative staff costs are shown in the fellow group undertaking and a recharge is made to the company for the services of personnel.

Directors' Remuneration:

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

NOTES TO THE ACCOUNTS - continued

7. STAFF COSTS - continued

Pensions:

The Company participates in a defined contribution scheme operated by the News International plc group. The assets of the pension schemes are held in separate externally administered trust funds, which are fully funded. The scheme is valued by an independent qualified actuary on a triennial basis. The total pension cost for the company was £133,000 (1995 - £270,000).

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:

| | <u>1996</u> | <u>1995</u> |
|-----------------------------------------|--------------|--------------|
| | <u>£'000</u> | <u>£'000</u> |
| Amounts falling due within one year: | | |
| Due from immediate parent company | - | 12,205 |
| Due from fellow subsidiary undertakings | 10,423 | 715,850 |
| Prepayments and accrued income | - | 7 |
| Other debtors | 1 | 1 |
| | <hr/> | <hr/> |
| | 10,424 | 728,063 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Company will only receive interest charged at a market rate on amounts due from News International plc.

10. CREDITORS: Amounts falling due within one year:

| | <u>1996</u> | <u>1995</u> |
|---------------------------------------|--------------|--------------|
| | <u>£'000</u> | <u>£'000</u> |
| Bank overdrafts | - | 93,414 |
| Due to fellow subsidiary undertakings | 3,609 | 720,422 |
| Due to immediate parent company | 132,600 | - |
| VAT | 188 | 3,703 |
| Other creditors | 165 | 700 |
| Accruals and deferred income | - | 20,349 |
| | <hr/> | <hr/> |
| | 136,562 | 838,588 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE ACCOUNTS - continued

11. CAPITAL AND RESERVES:

| | | | |
|----|-----------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| a) | Called-up share capital | <u>1996</u> <u>£'000</u> | <u>1995</u> <u>£'000</u> |
| | Authorised, issued, called-up and fully-paid: 493,200,000 ordinary shares of 10 pence each | 49,320 <u>=====</u> | 49,320 <u>=====</u> |
| b) | Reconciliation of movements in shareholders' funds: | <u>1996</u> <u>£'000</u> | <u>1995</u> <u>£'000</u> |
| | Loss for the financial year | (15,613) | (13,381) |
| | Opening shareholders' deficit | (110,132) <u>-----</u> | (96,751) <u>-----</u> |
| | Closing shareholders' deficit | (125,745) <u>=====</u> | (110,132) <u>=====</u> |

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

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

| | <u>Plant and Machinery</u> | |
|-------------------------------|-----------------------------|-----------------------------|
| | <u>1996</u> <u>£'000</u> | <u>1995</u> <u>£'000</u> |
| Operating leases which expire | | |
| - within one year | - | 13 |
| - within two to five years | - | 125 |
| | <u>=====</u> | <u>=====</u> |

- b) There are no capital commitments outstanding at 30 June 1996 (1995 - 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 £125,745,000 at 30 June 1996 (1995 - £110,132,000). 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, 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 will be available to the public and may be obtained from PO Box 495, Virginia Street, London, E1 9XY.