

News International Supply Company Limited

**Report and Financial Statements
30 June 2002**

Registered number: 1893198



Contents

	Page
Directors' report	1
Auditors' report	3
Principal accounting policies	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

Directors' report

For the year ended 30 June 2002

The Directors present their annual report on the affairs of News International Supply Company Limited ("the Company") together with the financial statements and auditors' report for the year ended 30 June 2002.

Principal activity

The principal activity of the Company is the procurement of materials and services for supply to other members of the Newscorp Investments group ("the Group").

Business review

The Company generated turnover for the year of £754,299,000 (2001 - £882,560,000). The Company's operating profit for the year was £14,342,000 (2001 - £22,064,000). The Directors expect the general level of activity to continue for the foreseeable future.

Results and dividends

The Company's profit after taxation was £18,858,000 (2001 - £23,214,000).

An ordinary dividend of £175,733,000 has been paid and the Directors do not recommend the payment of a final dividend (2001 - £Nil).

Payment of suppliers

The Group's policy is to pay suppliers at the end of the month following that in which the supplier's invoice is received. The policy is made known to the staff who handle payments to suppliers and is made known to all suppliers on request.

The number of suppliers' days outstanding at the year end was 42 days (2001 - 43 days). This has been calculated as an average of the number of days taken to pay each supplier invoice paid during the year.

Directors and their interests

The Directors of the Company who served during the year were as follows:

S. F. Hutson	
R. M. Linford	(Appointed 31 October 2001)
P. W. Stehrenberger	(Resigned 31 October 2001)
C. Stone	(Appointed 31 October 2001)

The Articles of Association do not require Directors to retire either by rotation or in the year of appointment.

Except as noted above, all Directors served throughout the year and are still Directors at the date of this report.

None of the Directors have interests in shares in group companies or any other interests that require disclosure in accordance with Companies Act law.

Auditors

Arthur Andersen resigned as auditors during the year and Ernst & Young LLP were appointed in their place.

The Directors will place a resolution before the Annual General Meeting to reappoint Ernst & Young LLP as auditors for the ensuing year.

Directors' report - continued

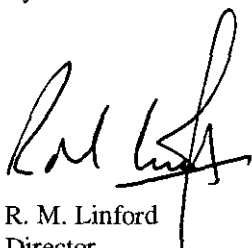
Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those financial statements, 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 financial statements; and
- prepare the financial statements 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 enable them to ensure that the financial statements 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.

By order of the Board



R. M. Linford
Director

1 Virginia Street
London
E98 1XY

30 September 2002

Independent Auditors' report

To the members of News International Supply Company Limited

We have audited the Company's financial statements for the year ended 30 June 2002 which comprise the accounting policies, the Profit and Loss Account, the Balance Sheet and the related notes numbered 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law on accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

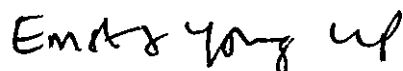
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 2002 and of the Company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

30 September 2002

Principal accounting policies

30 June 2002

Basis for preparation

The financial statements are prepared under the historical cost convention and in accordance with Generally Accepted Accounting Principles.

In preparing the financial statements for the current year, the Company has adopted FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax'. Adoption of these standards has not required any revisions to the financial statements in either the current or prior periods.

Cash flow statement

The Company is exempt from the requirement of FRS 1 'Cash Flow Statements' to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary undertaking of a body corporate and a consolidated cash flow statement is included in the financial statements of The News Corporation Limited ("TNCL"), the ultimate parent company.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover is the net amount receivable by the Company in the ordinary course of its business, excluding trade discounts, value added tax and other sales related taxes.

Leases

Rentals payable under operating leases are charged on a straight line basis over the lease term.

Related party transactions

Other members of the Group provide the Company with administrative and support services, for which no charge is made. All of the Company's reported activity relates to group transactions.

As a subsidiary undertaking of TNCL whose financial statements are publicly available, the Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' not to disclose transactions with other members of the group headed by TNCL.

Profit and loss account
For the year ended 30 June 2002

	Notes	2002 £'000	2001 £'000
Turnover	1	754,299	882,560
Cost of sales		(739,957)	(860,496)
		<hr/>	<hr/>
Operating profit	2	14,342	22,064
Finance charges (net)	3	4,516	1,150
		<hr/>	<hr/>
Profit on ordinary activities before taxation		18,858	23,214
Tax on profit on ordinary activities	4	-	-
		<hr/>	<hr/>
Profit for the financial year		18,858	23,214
Dividends	5	(175,733)	-
		<hr/>	<hr/>
Retained (loss)/profit for the financial year	9	(156,875)	23,214
		<hr/>	<hr/>

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £18,858,000 for the year ended 30 June 2002 (2001 - £23,214,000).

Details of movements on reserves are shown in note 9.

All operations of the Company continued throughout both years and no operations were acquired or discontinued.

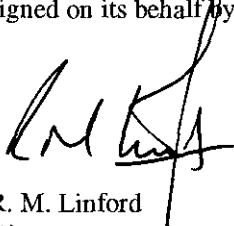
The accompanying principal accounting policies and notes are an integral part of this profit and loss account.

Balance sheet

30 June 2002

	Notes	2002 £'000	2001 £'000
Current assets			
Debtors	6	72,402	131,457
Cash at bank and in hand	7	3,521	77,479
		<u>75,923</u>	<u>208,936</u>
Creditors: Amounts falling due within one year	8	(57,065)	(33,203)
Net assets		<u>18,858</u>	<u>175,733</u>
Equity capital and reserves			
Called-up share capital	9	-	-
Profit and loss account	9	18,858	175,733
Equity shareholders' funds		<u>18,858</u>	<u>175,733</u>

The financial statements on pages 4 to 10 were approved by the Board of Directors on 30 September 2002 and signed on its behalf by:



R. M. Linford
Director

30 September 2002

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

Notes to the financial statements

30 June 2002

1 Turnover

The Company's turnover and profit are derived, in both the current and prior year, entirely from the procurement and supply of materials and services to members of the Group in the United Kingdom.

2 Operating profit

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

The Directors of the Company received no remuneration for their services to the Company during the year (2001 - £Nil). The Directors received emoluments for their services provided to other group undertakings as disclosed in the financial statements of those companies.

The Company has no employees.

3	Finance charges (net)	2002	2001
		£'000	£'000
	Investment income		
	Interest receivable on amounts due from group undertakings	-	1,150
	Realised gain on foreign currency exchange	4,516	-
		<hr/>	<hr/>
		4,516	1,150
		<hr/>	<hr/>

4 Taxation

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is nil. The difference between the tax assessed and the standard rate of corporation tax in the UK of 30% (2001 - 30%) is reconciled below:

	2002	2001
	£'000	£'000
Profit on ordinary activities before tax	18,858	23,214
	<hr/>	<hr/>
Corporation tax at 30% (2001 - 30%)	5,657	6,964
Group relief claimed	(5,657)	(6,964)
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>

Notes to the financial statements - continued

5 Dividends

	2002 £'000	2001 £'000
Dividends paid on equity shares: £87,866,500 per ordinary share	175,733	-

6 Debtors

Amounts falling due within one year:

	2002 £'000	2001 £'000
Due from group undertakings	72,341	131,410
Other debtors	61	47
	<u>72,402</u>	<u>131,457</u>

7 Cash at bank and in hand

The Group operates a collective overdraft facility with its bankers which allows individual companies in the Group to overdraw subject to an agreed limit not being exceeded in aggregate. This facility is guaranteed by TNCL.

8 Creditors: Amounts falling due within one year

	2002 £'000	2001 £'000
Bank overdraft (note 7)	8,991	3,549
Trade creditors	44,934	17,327
Due to group undertakings	159	723
Taxation and social security	2,940	11,579
Other creditors	41	25
	<u>57,065</u>	<u>33,203</u>

9 Equity capital and reserves

a) Called-up equity share capital

	2002 £	2001 £
Authorised: 100 ordinary shares of £1 each	100	100
Allotted and fully-paid: 2 ordinary shares of £1 each	2	2

Notes to the financial statements - continued

9 Equity capital and reserves - continued

b) Reserves

	Profit and loss account
	£'000
Beginning of the year	175,733
Retained loss for the year	(156,875)
	<hr/>
End of the year	18,858
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c) Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit for the financial year	18,858	23,214
Dividends paid on equity shares	(175,733)	-
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(156,875)	23,214
Opening shareholders' funds	175,733	152,519
	<hr/>	<hr/>
Closing shareholders' funds	18,858	175,733
	<hr/>	<hr/>

10 Leasing and other financial commitments

The minimum annual rentals under non-cancellable operating leases are as follows:

	Plant and machinery	
	2002 £'000	2001 £'000
Operating leases which expire:		
- within one year	780	511
- within two to five years	1,351	1,538
- over five years	149	149
	<hr/>	<hr/>

The costs associated with the operating lease commitments are borne by other members of the Group.

11 Guarantees

Under a collective group banking facility the Company has given multilateral guarantees in respect of bank overdrafts of other companies in the Group.

Notes to the financial statements - continued

12 Ultimate parent company

The Company's immediate parent company is News International plc, a company incorporated in England and Wales.

The ultimate parent company is TNCL, a company incorporated in South Australia.

The largest group in which the results of the Company are consolidated is that headed by TNCL, 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 Newscorp Investments, a company incorporated in England and Wales. The consolidated financial reports of these groups are available to the public and may be obtained from 1 Virginia Street, London, E98 1FN.