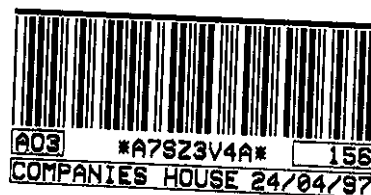


ARTHUR ANDERSEN

THE TIMES SUPPLEMENTS LIMITED

ACCOUNTS - 30 JUNE 1996

TOGETHER WITH DIRECTORS'
AND AUDITORS' REPORTS



THE TIMES SUPPLEMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1996

The Directors present their annual report on the affairs of The Times Supplements 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 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:

The principal activity of the Company is the publishing of The Times Literary Supplement, The Times Educational Supplement and The Times Higher Educational Supplement.

The Company generated turnover for the year of £23,904,000 (1995 - £22,451,000) resulting in a profit after tax of £7,890,000 (1995 - £8,221,000). The Directors expect the general level of activity to continue for the foreseeable future.

RESULTS AND DIVIDENDS:

	<u>£'000</u>
Retained profit at 30 June 1995	47,389
Profit for the financial year	7,890
	<hr/>
Retained profit at 30 June 1996	55,279
	<hr/> <hr/>

The Directors do not recommend the payment of a dividend (1995 - £Nil).

DIRECTORS' REPORT- continued

DIRECTORS AND THEIR INTERESTS:

The Directors who served during the year are as shown below:

J P Crawley
A J Evans
D R Flynn
L F Hinton (appointed 4 January 1996)
S D Jenkins
R M Linford
Sir Edward Pickering (Chairman)

The interests of L F Hinton and R M Linford in the shares of The News Corporation Limited are disclosed in the accounts of News International plc.

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.

TANGIBLE FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 8 to the accounts.

AUDITORS:

The Directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

P O Box 495
Virginia Street
London
E1 9XY

14 March 1997

BY ORDER OF THE BOARD



Sir Edward Pickering
Director

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
THE TIMES SUPPLEMENTS LIMITED

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention, and the accounting policies set out on pages 4 and 5.

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.

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 profit 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

THE TIMES SUPPLEMENTS 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 and the preceding year.

Under section 228 of the Companies Act 1985 the Company is exempt from the requirement to prepare group accounts since it is a wholly owned subsidiary of a body corporate incorporated in the European Community (Note 16). The results of the Company are consolidated into the accounts of News International plc which meets the requirements of section 228.

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 16). 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.

INVESTMENTS:

Investments are stated at cost less amounts written off. Income from investments is included in profit only if received, or declared and receivable. Franked investment income includes the appropriate taxation credit.

PUBLISHING RIGHTS AND TITLES:

Publishing rights and titles are stated at cost.

No depreciation is provided on publishing rights and titles since, in the opinion of the Directors, any such depreciation would be immaterial due to the length of their useful economic lives.

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 News International plc group companies not to make payments to fellow subsidiary undertakings for group relief surrendered.

LEASES:

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

PRINCIPAL ACCOUNTING POLICIES - continued

TANGIBLE FIXED ASSETS:

Tangible fixed assets are stated at cost, net of depreciation and provision for permanent diminution in value.

Fixed assets are depreciated over their expected useful economic lives or anticipated length of use by the Company in order to write off their cost less estimated residual value. The principal rates, using the straight-line basis, are as follows:

Plant and Machinery	-	5% to 33% per annum
Leasehold improvements, fixtures and fittings	-	20% per annum
Motor Vehicles	-	25% per annum

PENSION COSTS AND POST RETIREMENT MEDICAL BENEFITS:

The amount charged to the profit and loss account for defined contribution schemes is the contributions payable in the year.

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

FOREIGN CURRENCY:

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end with any resulting gains or losses being recorded in the profit and loss account.

THE TIMES SUPPLEMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1996

	<u>Notes</u>	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
TURNOVER (continuing operations)	1	23,904	22,451
Cost of sales		(9,000)	(8,141)
GROSS PROFIT		<u>14,904</u>	<u>14,310</u>
Other operating expenses (net)	3	(7,014)	(6,089)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	7,890	8,221
Taxation	6	-	-
PROFIT FOR THE FINANCIAL YEAR		<u>7,890</u>	<u>8,221</u>
RETAINED PROFIT, brought forward		47,389	39,168
RETAINED PROFIT, carried forward		<u>55,279</u>	<u>47,389</u>

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £7,890,000 in the year ended 30 June 1996 and of £8,221,000 in the year ended 30 June 1995.

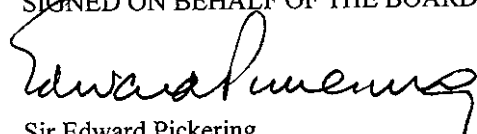
The accompanying principal accounting policies and notes are an integral part of this profit and loss account.

THE TIMES SUPPLEMENTS LIMITED

BALANCE SHEET - 30 JUNE 1996

	<u>Notes</u>	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
FIXED ASSETS			
Intangible assets	7	62,642	62,642
Tangible assets	8	1,875	1,476
Investments	9	-	-
		<u>64,517</u>	<u>64,118</u>
CURRENT ASSETS			
Debtors	10	861	29,369
Cash at bank and in hand		84,911	73,120
		<u>85,772</u>	<u>102,489</u>
CREDITORS: Amounts falling due within one year	11	(95,000)	(119,208)
NET CURRENT LIABILITIES	15	<u>(9,228)</u>	<u>(16,719)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		55,289	47,399
NET ASSETS		<u>55,289</u>	<u>47,399</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12	10	10
Profit and loss account		55,279	47,389
SHAREHOLDERS' FUNDS	12	<u>55,289</u>	<u>47,399</u>

SIGNED ON BEHALF OF THE BOARD ON 14 MARCH 1997



Sir Edward Pickering
Director

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

THE TIMES SUPPLEMENTS LIMITED

NOTES TO THE ACCOUNTS - 30 JUNE 1996

1. SEGMENTAL INFORMATION:

Substantially all the Company's turnover and profit is derived both by origin and destination, from publishing activities in the United Kingdom.

2. RELATED PARTY TRANSACTIONS:

The Company distributes its publications through a fellow subsidiary undertaking. Accordingly, a significant amount of the Company's turnover is derived from this undertaking.

Production and printing services together with administrative and support services, including personnel resources, are supplied by other members of the News International plc group. Therefore a significant amount of the Company's reported activity relates to group transactions.

3. OTHER OPERATING EXPENSES (NET):

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Distribution costs	1,678	1,512
Selling and marketing costs	1,990	1,603
Administrative expenses	3,348	2,975
	<u>7,016</u>	<u>6,090</u>
Other operating income	(2)	(1)
	<u>7,014</u>	<u>6,089</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging:

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Depreciation	431	233
Auditors' remuneration - audit	25	25
Staff costs (see Note 5)	2,460	2,263
Other operating lease rentals	-	40
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS - continued

5. 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	2,177	2,003
Social security costs	196	180
Other pension costs	87	80
	<hr/>	<hr/>
	2,460	2,263
	<hr/>	<hr/>

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

<u>1996</u> <u>Number</u>	<u>1995</u> <u>Number</u>
70	67
<hr/>	<hr/>

As explained in Note 2, the administrative personnel resources of the Company are provided by other members of the Newscorp Investments Limited 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:

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Salaries and fees as Directors	427	192
Pension contributions	31	19
	<hr/>	<hr/>
	458	211
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS - continued

5. STAFF COSTS - continued:

The Directors' remuneration shown above (excluding pensions and pension contributions) included:

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Chairman	-	-
Highest paid Director	221	137

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	<u>1996</u> <u>Number</u>	<u>1995</u> <u>Number</u>
Up to £ 5,000	4	6
£ 55,001 to £ 60,000	1	1
£135,001 to £140,000	-	1
£145,001 to £150,000	1	-
£220,001 to £225,000	1	-

Pensions:

The Company participates in a defined contribution pension scheme operated by the News International plc group. The assets of the scheme are held in separate externally administered trust funds which are fully funded. The pension charge represents contributions payable to the fund of £120,000 for the year (1995 - £Nil).

The company participates in a post-retirement medical benefits scheme. The charge relating to this scheme, which is unfunded, is £37,000 for the year (1995 - £Nil). The charge for the year has been assessed in accordance with the advice of qualified actuaries. The latest actuarial valuation as at 1 July 1996 estimated the present value of the accumulated benefit obligation at £318,000 (1995 - £159,000), of which £37,000 (1995 - £Nil) has been provided in this Company. In the prior year, a charge of £37,000 was borne by News International plc in respect of post-retirement medical benefits and this amount is still provided for on behalf of the company for the benefit obligation.

6. TAXATION:

Due to the availability of tax losses from other group undertakings there is no UK Corporation tax charge. (1995 - £Nil).

7. INTANGIBLE FIXED ASSETS:

Intangible fixed assets represent the amounts paid to News International plc, the immediate parent company, for the publishing rights, titles and benefits attaching to the Company's publications.

NOTES TO THE ACCOUNTS - continued

8. TANGIBLE FIXED ASSETS:

	<u>Plant and Machinery</u>	<u>Leasehold improvements, fixtures and fittings Motor vehicles</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
COST:			
Beginning of year	2,135	334	2,469
Additions	830	-	830
Disposals	(482)	(22)	(504)
End of year	<u>2,483</u>	<u>312</u>	<u>2,795</u>
DEPRECIATION:			
Beginning of year	659	334	993
Charge for year	431	-	431
Disposals	(482)	(22)	(504)
End of year	<u>608</u>	<u>312</u>	<u>920</u>
NET BOOK VALUE:			
Beginning of year	<u>1,476</u>	<u>-</u>	<u>1,476</u>
End of year	<u>1,875</u>	<u>-</u>	<u>1,875</u>

9. FIXED ASSET INVESTMENTS:	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Subsidiary undertakings	6	6
Associated undertakings	300	-
	<u>306</u>	<u>6</u>

The £6 investment above represents 100% holdings in the dormant companies: The Times Literary Supplement Limited, The Times Educational Supplement Limited and The Times Higher Educational Supplement Limited.

The associated undertaking acquired during the year was purchased from The Times Network Systems Limited for £300. This investment comprises 30% of the equity of ECCTIS 2000 Limited, a company registered in England and Wales, registered number 2405026, whose principal activity is that of the provision of information on university courses.

NOTES TO THE ACCOUNTS - continued

10.	DEBTORS:	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
	Amounts falling due within one year		
	Due from fellow subsidiary undertakings	561	28,887
	Due from immediate parent company	-	242
	Other debtors	14	12
	Prepayments and accrued income	286	228
		<u>861</u>	<u>29,369</u>

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

11.	CREDITORS: amounts falling due within one year:	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
	Bank Overdraft	-	32
	Due to fellow subsidiary undertakings	71,598	98,185
	Due to immediate parent company	234	-
	VAT	3,418	2,949
	Other creditors	5	65
	Accruals and deferred income	19,745	17,977
		<u>95,000</u>	<u>119,208</u>

Of the amounts due to fellow subsidiary undertakings, £70,000,000 represents an interest-free loan from Ordinto Investments repayable on demand.

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

The Company will only be charged interest at a market rate on amounts due to News International plc, which was waived for the current year.

12.	CAPITAL AND RESERVES:		
a)	Called-up share capital	<u>1996</u>	<u>1995</u>
	Authorised, allotted, called up and fully-paid:		
	10,000 ordinary shares of £1.00 each	<u>£10,000</u>	<u>£10,000</u>
b)	Reconciliation of movements in shareholders' funds		
		<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
	Profit for the financial year	7,890	8,221
	Opening shareholders' funds	47,399	39,178
	Closing shareholders' funds	<u>55,289</u>	<u>47,399</u>

NOTES TO THE ACCOUNTS - continued

13. FUTURE CAPITAL EXPENDITURE:

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Authorised but not contracted for	-	634

There was no capital expenditure contracted but not provided for (1995- £Nil).

14. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

- a) Under a collective group banking facility the Company has given multilateral guarantees in respect of bank overdrafts of other group companies.
- b) The minimum annual rentals under non-cancellable 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	5	-
- within two to five years	35	31

15. FUNDING:

The net current liabilities of the Company are £9,228,000 as at 30 June 1996 (1995 - £16,719,000). The Company's immediate parent has confirmed its intention to provide continuing financial support to enable the Company to meet its liabilities as they fall due.

16. 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.