

NEWS GROUP NEWSPAPERS LIMITED

ACCOUNTS - 30 JUNE 1997

**TOGETHER WITH DIRECTORS'
AND AUDITORS' REPORTS**

The company's registered number is 679215.



NEWS GROUP NEWSPAPERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1997

The Directors present their annual report on the affairs of News Group Newspapers Limited ("the Company") together with the accounts and auditors' report for the year ended 30 June 1997.

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 of 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 printing and publishing of The Sun and The News of the World newspapers and the printing of other national newspapers.

The Company generated turnover for the year of £479,893,000 (1996 - £463,479,000) resulting in a profit after tax of £69,166,000 (1996 - £43,234,000). 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 1996	131,908
Profit for the financial year	69,166
	<hr/>
Retained profit at 30 June 1997	201,074
	<hr/> <hr/>

The Directors do not recommend the payment of a dividend. (1996 - £Nil)

DIRECTORS' REPORT - continued

DIRECTORS AND THEIR INTERESTS:

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

D R Flynn	
L Hinton	
T Hopkins	
R M Linford	
C A Milner	
K R Murdoch	(Chairman)
J E Widdows	(appointed 27 September 1996, resigned 29 August 1997)
S F Hutson	(appointed 29 August 1997)

The interests of D R Flynn, L F Hinton, R M Linford and K R Murdoch in the shares of the ultimate parent company, The News Corporation Limited, and the interests of K R Murdoch in the shares of News International plc are disclosed in the accounts of NewsCorp Investments Limited.

Other Directors of the Company had interests in Ordinary shares in the ultimate parent company, The News Corporation Limited (TNCL), as follows:

	Preferred Limited Voting Ordinary Shares of 50 Australian cents in TNCL			Ordinary shares of 50 Australian cents in TNCL		Share-save
	30 June 1996	Granted	30 June 1997	30 June 1996	30 June 1997	30 June 1997
Shares held:						
C A Milner	15,000	-	15,000	20,000	20,000	-
Options held:						
T Hopkins	-	28,000	28,000	-	-	-
D A Milner	-	48,000	48,000	-	-	8,198
J E Widdows	-	24,000	24,000	-	-	1,853

The options held by T Hopkins, C A Milner and J E Widdows have an option price of A\$5.17 and are exercisable between 25 July 1997 and 24 July 2006.

News International share-save options, in the Preferred Limited Voting Ordinary shares of 50 Australian cents in TNCL, were granted during the year and are exercisable after 3, 5 or 7 years from March 1997 at £2.104 and are subject to the individuals completing their monthly contributions for the relevant period.

The middle market prices of a TNCL Ordinary share of A\$0.50 each ("Ordinary shares") and a Preferred share on 30 June 1997 were A\$6.35 (1996 - A\$7.21) and A\$5.225 (1996 - A\$6.20) respectively. The ranges in market value of the Ordinary and Preferred shares during the financial year were A\$5.63 to A\$7.51 and A\$4.67 to A\$6.37 respectively.

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

EMPLOYMENT OF DISABLED PERSONS:

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

DIRECTORS' REPORT - continued

EMPLOYEE CONSULTATION:

It is the policy of the Company to develop employee involvement throughout the organisation and to ensure that they are aware of the financial and economic factors affecting the Company and the group of which it is a member.

Communication meetings between management and employees are held both formally and informally, where matters of specific interest are discussed. Consultation with all employees occurs on a regular basis covering pensions and health and safety and their views are taken into consideration when making decisions. A range of training programmes are held for employees.

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

BY ORDER OF THE BOARD


P W Stehrenberger
Secretary

20 March 1998

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
NEWS GROUP NEWSPAPERS LIMITED

We have audited the accounts on pages 5 to 18 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 5 to 7.

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.

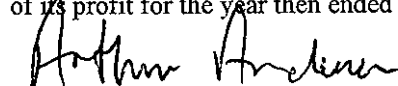
Basis of opinion

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 1997 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

20 March 1998

NEWS GROUP NEWSPAPERS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING:

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, 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 22), in whose accounts its results are consolidated. The accounts of Newscorp Investments Limited meet the conditions of section 228.

The Company is exempt from the requirement of Financial Reporting Standard 1 to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary undertaking of a body corporate. A consolidated cash flow statement is included in the accounts of The News Corporation Limited (TNCL), the ultimate parent company.

INVESTMENTS:

Investments are stated at cost or valuation 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 or the Directors' estimate of their current 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.

Provision for corporation tax on capital gains that could arise in the event of disposal of these assets at their revalued amounts has not been made since there are currently no plans for their disposal (Note 17).

STOCKS:

Stocks and work-in-progress are valued at the lower of cost and net realisable value. In general, cost represents actual cost of the stock concerned. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete items where appropriate.

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.

PRINCIPAL ACCOUNTING POLICIES - continued

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.

Provision is made 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 (Note 17).

TURNOVER:

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

TANGIBLE FIXED ASSETS:

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

Where borrowings are used to finance capital projects, interest incurred prior to the completion of those projects is added to their cost.

Assets in course of construction are not depreciated. When such assets come into use they are transferred to the appropriate fixed asset category and depreciated accordingly.

Other 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 or valuation less estimated residual value. The principal rates, using the straight-line basis, are as follows:

Plant (excluding colour printing presses)	- 5% to 33% per annum
Colour printing presses	- 3.3% per annum
Motor vehicles	- 25% per annum
Fixtures and fittings	- 10% to 20% per annum

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.

PRINCIPAL ACCOUNTING POLICIES - continued

PENSION COSTS AND POST RETIREMENT MEDICAL BENEFITS:

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 contribution schemes are charged to the profit and loss account on a payable basis. 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 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.

REVALUATION RESERVE:

Surpluses arising on the revaluation of fixed assets are transferred to a revaluation reserve. Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from this reserve to the profit and loss account. Where assets which have been revalued are sold, the previous revaluation surplus is transferred directly to realised reserves (profit and loss account), and the difference between sale price and depreciated revalued amount is recorded in arriving at profit on ordinary activities before taxation.

NEWS GROUP NEWSPAPERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1997

	<u>Notes</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
TURNOVER (continuing operations)	1	479,893	463,479
Cost of sales		(273,784)	(285,805)
GROSS PROFIT		<u>206,109</u>	<u>177,674</u>
Other operating expenses (net)	3	(115,658)	(106,267)
OPERATING PROFIT		<u>90,451</u>	<u>71,407</u>
Investment income	4	203	172
Interest payable and similar charges	5	(21,488)	(28,345)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>69,166</u>	<u>43,234</u>
Taxation	8	-	-
PROFIT FOR THE FINANCIAL YEAR		<u>69,166</u>	<u>43,234</u>
RETAINED PROFIT, brought forward		<u>131,908</u>	<u>88,674</u>
RETAINED PROFIT, carried forward		<u>201,074</u> =====	<u>131,908</u> =====

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £69,166,000 for the year ended 30 June 1997 and £43,234,000 for the year ended 30 June 1996.

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

NEWS GROUP NEWSPAPERS LIMITED

BALANCE SHEET - 30 JUNE 1997

	<u>Notes</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
FIXED ASSETS			
Intangible assets	9	672,000	672,000
Tangible assets	10	379,131	389,344
Investments	11	145,750	145,750
		<hr/>	<hr/>
		1,196,881	1,207,094
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	12	9,739	11,778
Debtors	13	340,243	356,585
Cash at bank and in hand	14	11,771	6,648
		<hr/>	<hr/>
		361,753	375,011
		<hr/>	<hr/>
CREDITORS: Amounts falling due within one year	15	(523,035)	(603,665)
		<hr/>	<hr/>
NET CURRENT LIABILITIES	21	(161,282)	(228,654)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,035,599	978,440
		<hr/>	<hr/>
CREDITORS: Amounts falling due after more than one year	16	(162,051)	(174,058)
		<hr/>	<hr/>
NET ASSETS		873,548	804,382
		=====	=====
CAPITAL AND RESERVES			
Called-up equity share capital	18	1,400	1,400
Revaluation reserve		671,074	671,074
Profit and loss account		201,074	131,908
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	18	873,548	804,382
		=====	=====

SIGNED ON BEHALF OF THE BOARD ON 20 MARCH 1998

R M Linford
Director



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

NEWS GROUP NEWSPAPERS LIMITED

NOTES TO THE ACCOUNTS - 30 JUNE 1997

1. SEGMENTAL INFORMATION:

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

2. RELATED PARTY TRANSACTIONS:

The Company distributes its national newspapers through a group undertaking and sells all of its advertising space to another group undertaking. Accordingly, substantially all of the Company's turnover is derived from those undertakings.

The Company also undertakes the production and printing activities of other national newspapers. During the year the Company recharged costs to group undertakings. Cost of sales and administrative expenses are shown net of recharges in the profit and loss account.

Some of the Company's production and printing services together with administrative and support services, including personnel resources, are supplied by other members of the NewsCorp Investments Limited group.

Therefore, a substantial part of the Company's reported activity relates to group transactions.

As a subsidiary undertaking of The News Corporation Limited whose accounts are publicly available, the Company has taken advantage of the exemption in Financial Reporting Standard 8 Related Party Disclosure not to disclose further details of these transactions with other members of the group headed by The News Corporation Limited.

3. OTHER OPERATING EXPENSES (NET):

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Selling and marketing costs	36,478	36,653
Administrative expenses	79,410	69,953
	<hr/>	<hr/>
	115,888	106,606
Other operating income	(230)	(339)
	<hr/>	<hr/>
	<u>115,658</u>	<u>106,267</u>

The following costs are included in other operating expenses (net):

Redundancy costs	<u>390</u>	<u>1,448</u>
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NOTES TO THE ACCOUNTS - continued

4. INVESTMENT INCOME:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Income from fixed assets investments	-	60
Interest receivable on amounts due from group undertakings	203	112
	<u>203</u>	<u>172</u>

The Company did not receive interest on amounts due from group undertakings, except in respect of amounts due from News Datacom Limited and Broadsystem Limited where interest was charged at a market rate.

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
On amounts repayable within five years, not by instalments, to News International plc.	18,132	23,527
Finance charges in respect of capitalised finance leases	3,356	4,818
	<u>21,488</u>	<u>28,345</u>

The Company was charged interest at a market rate on amounts due to News International plc.

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Depreciation of tangible fixed assets		
- owned	22,714	21,886
- held under finance leases and hire purchase contracts	4,385	4,385
Other operating lease rentals	257	834
Staff costs (Note 7)	22,809	22,174
	<u>22,809</u>	<u>22,174</u>

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

NOTES TO THE ACCOUNTS - continued

7. STAFF COSTS:

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

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Wages and salaries	19,889	19,231
Social security costs	1,678	1,731
Other pension costs	1,242	1,212
	<u>22,809</u> <u>=====</u>	<u>22,174</u> <u>=====</u>

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

	<u>1997</u> <u>Number</u>	<u>1996</u> <u>Number</u>
	439 <u>=====</u>	413 <u>=====</u>

As explained in Note 2, the administrative personnel resources of the Company are provided by other members of the Newscorp Investments Limited group, therefore all administrative staff costs are shown in the fellow group undertaking and a recharge is made to the Company for the services of these personnel.

Directors' remuneration:

The Directors of the Company receive fees and other emoluments from News International plc. The following amounts represent the recharges made by News International plc, relating to services in connection with the management of the Company.

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Emoluments	199 <u>=====</u>	208 <u>=====</u>

Pensions :

The number of Directors who were members of pension schemes was as follows:

	<u>1997</u>	<u>1996</u>
Defined benefit schemes	1 <u>=====</u>	1 <u>=====</u>

NOTES TO THE ACCOUNTS - continued

7. STAFF COSTS - continued:

The Company participates in two pension schemes operated by the News International plc group. The defined contribution scheme covers the majority of the executive, staff and works personnel. The remaining employees, mainly senior executives, are covered by a defined benefit scheme. The assets of the pension schemes are held in separate externally administered trust funds which are fully funded. The pension costs relating to the defined benefit scheme are in accordance with the advice of a qualified actuary using the projected unit method. The schemes are valued by an independent qualified actuary on a triennial basis.

The total pension cost for the Company was £ 1,242,000 (1996 - £1,212,000) of which £ 1,193,000 (1996 - £1,092,000) relates to the defined contribution scheme and £ 49,000 (1996 - £120,000) to the defined benefit scheme.

The latest actuarial valuation of the defined benefit scheme was prepared as at 1 July 1994. The assumptions which have the most significant effect on the results of the defined benefit scheme valuation are those relating to the rate of return on investments and the rate of increase in pensionable earnings and pensions. It was assumed that salary increases lag on average 3% behind growth of returns on investments and that increases to pensions in payment would be granted at 5% per annum.

The valuation disclosed a surplus of assets over past service liabilities in the defined benefit scheme. The overall level of funding was 110%. This surplus will be eliminated by adjustment to the contribution rate. Pension costs charged in the profit and loss account reflect these actuarially determined contribution rates.

Other directors received emoluments for their services provided to other group undertakings as disclosed in the accounts of those companies..

8. TAXATION

Due to the availability of tax losses from other group undertakings there is no tax charge for the year (1996 - £Nil).

There is no provision for deferred tax (1996 - £nil) and deferred tax not provided is as follows:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Accelerated capital allowances	67,086	58,090
Other	(1,509)	(1,229)
ACT recoverable	(14,000)	(14,000)
	<u>=====</u>	<u>=====</u>
	51,577	42,861
	<u>=====</u>	<u>=====</u>

NOTES TO THE ACCOUNTS - continued

9. INTANGIBLE FIXED ASSETS:

All of the Company's United Kingdom newspaper titles, unaccompanied by the assets and other rights and interests which go to make up the business taken as a whole, have been incorporated in the balance sheet at the Directors' estimate of current cost of £672,000,000 (1996 - £672,000,000). The Directors have reviewed the current cost of these newspaper titles, taking into account the principles of the valuation placed on them by Hambros Securities Limited at 30 June 1990 and have concluded, based on this review, that there has been no significant change in current cost in the year to 30 June 1997. This review took account of the market factors particular to the titles and incorporates multiples which reflect the composition of revenues and profitability, readership loyalty, advertising revenue and potential for future growth. Corporation tax that could arise (maximum £208,032,863) in the event of disposal at the revalued amount has not been provided in these accounts since it is not the Directors' intention to dispose of these titles.

The original cost of publishing rights and titles is £926,250 (1996 -£926,250).

10. TANGIBLE FIXED ASSETS:

a) The movement in the year was as follows:

	<u>Plant and Machinery</u>	<u>Fixtures Fittings and Motor Vehicles</u>	<u>Leased Plant and Machinery</u>	<u>Assets in Course of Construction</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost:					
Beginning of year	462,278	15,165	131,552	-	608,995
Additions	14,758	2,667	-	79	17,504
Disposals	(319)	(299)	-	-	(618)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
End of year	476,717	17,533	131,552	79	625,881
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:					
Beginning of year	185,601	10,482	23,568	-	219,651
Charge	21,894	820	4,385	-	27,099
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
End of year	207,495	11,302	27,953	-	246,750
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value:					
Beginning of year	276,677	4,683	107,984	-	389,344
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
End of year	269,222	6,231	103,599	79	379,131
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

b) Capitalised interest

Included in the cost of tangible fixed assets is interest on group borrowings used to finance capital projects and recharged to the Company amounting to £47,551,000 (1996 - £47,551,000).

NOTES TO THE ACCOUNTS - continued

11. FIXED ASSET INVESTMENTS:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Subsidiary undertaking	145,750 =====	145,750 =====

The Company's principal subsidiary undertaking is as follows:

	<u>Country of Incorporation</u>	<u>% of issued share capital held</u>	<u>Class of Share</u>
Newscorp Netherlands Antilles NV	Netherlands Antilles	100	Redeemable preference
		100	Ordinary

The principal activity of Newscorp Netherlands Antilles NV is to provide financial services to the Newscorp Investments Limited group.

12. STOCKS:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Raw materials and consumables	9,739 =====	11,778 =====

13. DEBTORS:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Amounts falling due within one year:		
Due from group undertakings	333,062	348,998
Prepayments and accrued income	5,343	5,304
Other debtors	1,838	2,283
	<u>340,243</u> =====	<u>356,585</u> =====

14. CASH AT BANK AND IN HAND

Together with certain other companies in The Newscorp Investments Limited group, the company is party to a banking facility which is guaranteed by TNCL. No interest is paid or received by the company under this facility and all interest is recorded in the books of other group companies.

NOTES TO THE ACCOUNTS - continued

15. CREDITORS: amounts falling due within one year:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Obligations under finance leases	12,007	17,490
Bank overdraft	70,566	134,959
Due to group undertakings	156,473	183,289
Social security and PAYE	39	73
VAT	35,763	17,015
Other creditors	3,370	1,107
Accruals and deferred income	244,817	249,732
	<hr/>	<hr/>
	523,035	603,665
	<hr/> <hr/>	<hr/> <hr/>

Interest is not charged on amounts due to group undertakings, with the exception of interest charged on balances payable to News International plc.

Included in "Due to group undertakings" is an interest free loan from Newscorp Netherlands Antilles NV of £58,000,000 which is repayable on demand.

16. CREDITORS: amounts falling due after more than one year:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Obligations under finance leases	31,301	43,308
Loan from News International plc	130,750	130,750
	<hr/>	<hr/>
	162,051	174,058
	<hr/> <hr/>	<hr/> <hr/>

The loan from News International plc is a convertible variable rate capital note due in 2035 which may be converted at the option of the note holder into ordinary shares at the rate of one ordinary share for every £100 of principal monies due. The note bears interest, which for the year has been charged at 13%.

The maturity of obligations under finance leases is as follows:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Due within 1 year	12,007	17,490
Due within 2 to 5 years	31,301	43,308
	<hr/>	<hr/>
	43,308	60,798
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS - continued

17. DEFERRED TAXATION:

No deferred tax is provided at 30 June 1997 and 1996 due to short term timing differences and the availability of substantial tax losses from group undertakings for relief against future taxable profits.

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Taxes that could arise if publishing rights and titles were to be disposed of at their revalued amounts are as follows (Note 9):	208,033 =====	221,454 =====

18. CAPITAL AND RESERVES:

a) Called-up share capital

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Authorised, allotted, called-up, and fully-paid:		
1,400,000 ordinary shares of £1 each	1,400 =====	1,400 =====

b) Reconciliation of movements in shareholders' funds:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Profit for the financial year	69,171	43,234
Opening shareholders' funds	804,382	761,148
Closing shareholders' funds	873,553 =====	804,382 =====

19. FUTURE CAPITAL EXPENDITURE:

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Contracted for but not provided for in the accounts	23,846 =====	6,698 =====

NOTES TO THE ACCOUNTS - continued

20. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

- a) The Company, parent and ultimate parent company and certain group undertakings are parties and guarantors to a US\$2,016 million (1996 US\$ 2,016 million) multi-currency Revolving Credit Agreement and US\$7,542 million (1996 US\$6,526 million) publicly quoted debt instruments issued by a group undertaking.
- b) The minimum annual rentals under non-cancellable operating leases are as follows:

	<u>Plant and Machinery</u>	
	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Operating leases which expire:		
- within one year	125	63
- within two to five years	655	606
	=====	=====

21. FUNDING:

The net current liabilities of the Company are £(161,282,000) at 30 June 1997 (1996 - £228,654,000). 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.

22. 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 Newscorp Investments Limited, 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.