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SATELLITE TELEVISION
PUBLIC LIMITED
COMPANY

ACCOUNTS
for the fifteen months
ended
1 JULY 1984



Coopers
& Lybrand

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Directors

D Berriman (Chairman)
P T S Cox (Managing Director)
Sir James Cruthers
B R Horton
J B H Jackson
K R Murdoch
Lord Romsey
D B Thomson

Secretary

E Rogers

Registered office

PO Box 7, 200 Grays Inn Road, London WC1X 8EZ

Report of the directors

1 The Directors present their annual report and the audited accounts for the fifteen months ended 1 July 1984.

Principal activity

2 The principal activity of the company during the period was the transmission of an English language satellite television broadcasting service to Western Europe.

Financial position of the company

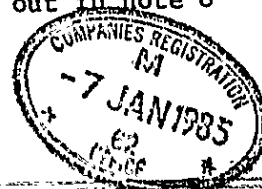
3 The company has incurred significant losses during the period, largely as a result of planned increases in operating costs in line with the expansion of its activities. Advertising revenue remained at a low level during the period. Although such revenue is expected to increase during the twelve months to June 1985, the company will remain loss making for some time and is dependent on the financial support of shareholders, particularly News International plc. A further injection of cash is likely to be needed in the six months to 30 June 1985.

Results

4 The company made a loss of £5,769,621 (1983 - £2,487,325) and the directors do not recommend payment of a dividend.

Fixed assets

5 The movements in fixed assets during the period are set out in note 8 to the accounts.



Share capital

6 On 28 June 1983 the authorised share capital was increased from 625,000 to 10,000,000 ordinary £1 shares. On the same date the existing 113,000 issued ordinary shares of £1 each were designated "B" ordinary shares of £1 each, and 400,000 "A" ordinary shares of £1 each were allotted to News International plc for cash at par.

On 16 April 1984 there was a Rights Issue at par on the following terms:

- | | |
|---------------------------------------------------------------------|--------------------------------------------------|
| (1) For every 9 "A"/"B" ordinary
£1 shares held | 2 new "A"/"B" ordinary £1
shares respectively |
| (2) For every £90 nominal of "A"/"B"
convertible loan stock held | 2 new "A"/"B" ordinary £1
shares respectively |

As a result 294,000 ordinary shares of £1 each (255,793 designated "A" and 38,207 designated "B") were allotted for cash at par. The issue was underwritten by News International plc who subscribed for all shares not taken up.

Loan stock

7 On 28 June 1983 the existing £3,500,000 issued convertible unsecured loan stock 1997 (convertible stock) was designated "B" convertible stock. On the same date £4,600,000 "A" convertible stock was issued for cash at par to News International plc.

On 16 April 1984 there was an issue of £4,998,000 convertible stock (£4,348,481 designated "A", and £649,519 designated "B") for cash at par.

Acquisition of company

8 On 15 November 1983 the company purchased a newly created company Satellite Television GmbH, which is incorporated in the Federal Republic of Germany. The subsidiary was set up to advise and coordinate the provision of television services by Satellite Television public limited company in the Federal Republic of Germany.

Directors

9 The present directors of the company are listed on page 1. P T S Cox was appointed a director of the company on 4 August 1983 and on 28 June 1983 B R Horton, G Long and K R Murdoch were appointed directors of the company. The following resigned as directors during the period:

<u>Name</u>	<u>Date of resignation</u>
Dr J Morgan	1 June 1983
J R Pickin	28 June 1983
A Cuthbert	4 August 1983
B Lodge	4 August 1983
J D N Ciclitira	21 September 1983
B M Haynes	9 March 1984
M N Peterson	16 May 1984
H R C J Richaers	16 May 1984

G Long has resigned since the balance sheet date and Sir James Cruthers was appointed on 26 September 1984 in his place.

Directors' shareholdings

10 The interests of directors in company shares are as shown below:

<u>Directors</u>	<u>Interests</u>	<u>Ordinary shares of £1 each</u>	
		<u>As at 1 July 1984</u>	<u>As at 31 March 1983</u>
D Berriman	Beneficial	5,000	5,000
Lord Romsey)	Beneficial	8,500	8,500
)	Non-beneficial	6,500	6,500

None of the other directors held any shares in the company, or other group companies, during the period, except as set out below, according to the Register of Directors' Interests which is required to be kept by Section 29 of the Companies Act 1967.

<u>Director</u>	<u>Company</u>	<u>Ordinary shares of 25p each (non-beneficial)</u>	
		<u>As at 1 July 1984</u>	<u>At date of appointment</u>
K R Murdoch	News International plc	4,000	4,000

Major voting rights in the company

11 The holdings of ordinary shares and convertible stock in the name of the following company carry 5 per cent or more of the votes currently exercisable in general meeting:-

<u>Company</u>	<u>As at 1 July 1984</u>		<u>Voting rights in general meeting as a percentage of total voting rights</u>
	<u>Number of "A" ordinary shares of £1 each</u>	<u>"A" convertible unsecured loan stock £</u>	
News International plc	655,793	8,948,481	75.46%

BY ORDER OF THE BOARD

E ROGERS

Secretary

Report of the auditors to the members of
SATELLITE TELEVISION PUBLIC LIMITED COMPANY

- 1 We have audited the accounts set out on pages 5 to 17 in accordance with approved Auditing Standards. The accounts have been prepared under the historical cost convention.
- 2 The accounts have been prepared on the going concern basis on the assumption that additional capital will be injected until such time as the company is able to generate sufficient revenue to become profitable. As stated in note 1, News International plc, the company's parent company, has confirmed in writing its intention to continue to fund the company until such time.
- 3 Creditors falling due within one year, amounting to £2,833,524, and loss on ordinary activities before taxation, amounting to £5,769,621, include an amount of £188,525 for satellite downlink charges. The directors have been unable to obtain confirmation of this charge from British Telecom International, who act as the agents for the company with the Interim Eutelsat for this purpose. Accordingly we have not obtained adequate audit evidence to verify the accuracy of this charge.
- 4 Subject to any adjustment that may be required as a result of the matter referred to in paragraph 3 above, in our opinion, the accounts give a true and fair view of the state of affairs of the company at 1 July 1984, and of its loss and source and application of funds for the fifteen months then ended and comply with the Companies Acts 1948 to 1981.

COOPERS & LYBRAND



Chartered Accountants
LONDON, 28 September 1984

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

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Profit and loss account
for the fifteen months ended 1 July 1984

	<u>Note</u>	<u>Fifteen months ended 1 July 1984</u>	<u>Year ended 31 March 1983</u>
		<u>£</u>	<u>£</u>
Turnover	2(a),3	577,474	399,656
Cost of sales		(5,006,246)	(2,171,319)
Gross loss		(4,428,772)	(1,771,663)
Distribution costs		(458,783)	(215,975)
Administrative expenses		(1,321,545)	(806,269)
Operating loss	4	(6,209,100)	(2,793,907)
Other interest receivable and similar income - non group sources - holding company		98,730 344,543	308,688 -
Interest payable and similar charges		(3,794)	(2,106)
Loss on ordinary activities before taxation		(5,769,621)	(2,487,325)
Taxation on loss on ordinary activities	7	-	-
Loss for the financial period		<u>£(5,769,621)</u>	<u>£(2,487,325)</u>

STATEMENT OF ACCUMULATED LOSSES

Accumulated losses at 1 April 1983	(2,916,044)	(428,719)
Loss for the period	(5,769,621)	(2,487,325)
Accumulated losses at 1 July 1984	<u>£(8,685,665)</u>	<u>£(2,916,044)</u>

The notes on pages 8 to 17 form part of these accounts.

Auditors' report page 4.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

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Balance sheet as at 1 July 1984

	Note	1 July 1984	31 March 1983
		£	£
FIXED ASSETS			
Tangible assets	8	177,572	114,940
Investments	9	12,700	100
CURRENT ASSETS			
Stocks	10	2,124,238	394,991
Debtors	11	887,890	86,223
Cash at bank and in hand		5,350,459	1,210,122
		8,362,587	1,691,336
CREDITORS: amounts falling due within one year	12	2,833,524	609,420
NET CURRENT ASSETS		5,529,063	1,081,916
Total assets less current liabilities		5,719,335	1,196,956
CREDITORS: amounts falling due after more than one year	13	(13,598,000)	(4,000,000)
		£(7,878,665)	£(2,803,044)
CAPITAL AND RESERVES			
Called up share capital	14	807,000	113,000
Profit and loss account		(8,685,665)	(2,916,044)
		£(7,878,665)	£(2,803,044)

D BERRIMAN

P T S COX

Directors

The notes on pages 8 to 17 form part of these accounts.

Auditors' report page 4.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Statement of source and application of funds
for the fifteen months ended 1 July 1984

	15 months ended 1 July 1984	Year ended 31 March 1983
	£	£
SOURCE OF FUNDS		
Loss on ordinary activities before taxation	(5,769,621)	(2,487,325)
Adjustments for items not involving movement of funds:		
Depreciation on tangible fixed assets	57,789	27,180
Loss on sale of tangible fixed assets	<u>1,046</u>	<u>1,906</u>
	58,835	29,086
Total absorbed by operations	(5,710,786)	(2,458,239)
Funds from other sources:		
Issue of share capital at par	694,000	8,000
Issue of convertible loan stock	9,598,000	-
Sale proceeds of tangible fixed assets	<u>1,580</u>	<u>2,500</u>
	10,293,580	10,500
Total sources of funds	4,582,794	(2,447,739)
APPLICATION OF FUNDS		
Purchase of shares in subsidiary	12,600	100
Purchase of tangible fixed assets	123,047	88,362
Repayment of short term loan	-	<u>6,000</u>
Total application of funds	(135,647)	(94,462)
	<u>£4,447,147</u>	<u>£(2,542,201)</u>
INCREASE/(DECREASE) IN WORKING CAPITAL		
Increase in stocks	1,729,247	361,734
Increase/(decrease) in debtors	801,667	(17,990)
(Increase) in creditors falling due within one year	<u>(2,224,104)</u>	<u>(404,964)</u>
	306,810	(61,220)
Movement in net liquid funds:		
Increase/(decrease) in cash at bank and in hand	<u>4,140,337</u>	<u>(2,480,981)</u>
	<u>£4,447,147</u>	<u>£(2,542,201)</u>

Auditors' report page 4.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the fifteen months ended 1 July 1984

Basis of preparation

1 A further injection of capital will be required within twelve months of the balance sheet date. The accounts have been prepared on the going concern basis, on the assumption that such capital will be injected and that injections of further capital will be made until such time as the company is able to generate sufficient revenue to become profitable. News International plc, the company's parent company, has confirmed in writing its intention to continue to fund the company until such time.

Principal accounting policies

2(a) Turnover, which excludes Value Added Tax, represents the invoice value of advertising and other revenue.

(b) Programme purchases are stated at the lower of cost or amortised cost and net realisable value. Cost represents the amounts incurred in the acquisition of rights to transmit programmes. Amortised cost represents cost less a deduction to reflect rights utilised. Net realisable value is ascertained by reference to the total expected utilisation of programme rights, which is based on estimated transmission levels. Transmission levels are expected to increase during the next twelve months.

(c) Fixed assets are depreciated on the straight line basis over the estimated useful life of the asset. Principal annual rates used for this purpose are:

	%
Office furniture and fittings	20
Dish and decoder installations	25
Office machinery	25
Motor vehicles	25
Leased decoders	25
Presentation, studio and video equipment	33.3

(d) Income arising from the leasing of decoders is recognised on a straight line basis over the life of the lease.

(e) Stocks are stated at the lower of cost and net realisable value.

(f) Assets and liabilities expressed in foreign currency are translated to sterling at rates of exchange ruling at the year end. Differences on exchange are dealt with in the profit and loss account.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the fifteen months ended 1 July 1984 - continued

Geographical analysis of turnover

3	<u>1984</u>	<u>1983</u>
	£	£
United Kingdom	193,640	127,750
Western Europe	383,834	271,906
	<u>£577,474</u>	<u>£399,656</u>

Operating loss

4 The loss for the period is stated after charging:-

	<u>Notes</u>	<u>1984</u>	<u>1983</u>
		£	£
Auditors' remuneration		8,000	8,000
Depreciation		57,789	27,180
Directors' remuneration	5	143,543	140,961
Provision against programme purchases		44,000	148,996

Directors' remuneration

5 Emoluments of directors of Satellite Television public limited company (including pension contributions):

	<u>1984</u>	<u>1983</u>
	£	£
As directors	55,942	50,451
For management services	87,601	25,510
	<u>143,543</u>	<u>75,961</u>
Termination payment made to a former executive	-	65,000
	<u>£143,543</u>	<u>£140,961</u>

Directors' emoluments disclosed in accordance with sections 6 and 7 of the Companies Act 1967, and excluding pension contributions, are as follows:-

	<u>1984</u>	<u>1983</u>
	£	£
Annual emoluments of Chairman	<u>10,000</u>	<u>10,000</u>
Annual emoluments of the highest paid director (1983 including termination payment)	<u>44,720</u>	<u>69,788</u>

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the fifteen months ended 1 July 1984 - continued

Number of directors (including those above) whose annual emoluments were within the ranges:-

	<u>1984</u>	<u>1983</u>
£0 - £5,000	10	10
£5,001 - £10,000	4	2
£10,001 - £15,000	1	2
£40,001 - £45,000	1	-
£65,001 - £70,000	-	1

In addition to the above remuneration, consultancy fees were paid during the period under contractual arrangements to the following:-

£51,042 to Haynes Enterprises Limited, which is controlled by B M Haynes, a director for 11 months of the period.

£4,933 to SAD Limited, which is controlled by J D N Ciclitira, a director for 6 months of the period.

A payment of £6,250 was made to Highecho Limited, on a non-contractual basis, for the services of Lord Romsey, a director.

The following payments for directors' fees were also made:-

£7,083 to Haynes Enterprises Limited.

£1,250 to SAD Limited.

The company has ensured to the best of its ability that individuals and companies who were remunerated as consultants have completed their accounts and submitted them where appropriate to the Inland Revenue.

Employee information

6(a) The average number of persons employed by the company (including executive directors) during the period is analysed below:-

	<u>1984</u>	<u>1983</u>
Production	29	10
Selling and distribution	3	1
Administration	9	4
	<u>41</u>	<u>15</u>

SATELLITE TELEVISION PUBLIC LIMITED COMPANYNotes to the accounts for the fifteen months ended 1 July 1984 - continued

(b) Employment costs of all employees (excluding executive directors):-

	<u>1984</u>	<u>1983</u>
	£	£
Gross wages and salaries	467,130	144,385
Employer's national insurance and state pension contributions	36,724	21,962
Employer's pension contributions	<u>14,865</u>	<u>-</u>
	<u>£518,719</u>	<u>£163,347</u>

Taxation on loss on ordinary activities

7 There is no tax charge as the company has made losses which are carried forward for tax purposes.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the fifteen months ended 1 July 1984 - continued

<u>Fixed assets</u>		<u>Improvements to premises</u>		<u>Dish and decoder installations</u>	<u>Presentation, studio and video equipment</u>	<u>Office machinery</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Leased decoders</u>	<u>Total</u>
		£	£	£	£	£	£	£	£	£
8										
<u>Cost</u>										
At 1 April 1983		7,640	20,126	24,028	38,523	21,215	11,817	-	32,800	144,332
Additions		-	-	4,519	10,336	16,152			47,771	90,595
Additions from group companies		-	-	-	-	-	32,452	-	-	32,452
Disposals		-	-	(2,067)	-	-	-	-	(1,994)	(4,061)
At 1 July 1984		7,640	20,126	26,480	48,859	37,367	44,269	78,577	263,3	
<u>Depreciation</u>										
At 1 April 1983		2,969	5,663	7,291	6,716	3,892	-	2,861	29,392	
Charge for period		4,671	6,054	10,236	10,703	7,976	6,052	12,097	57,789	
Disposals		-	-	(1,020)	-	-	-	(415)	(1,435)	
At 1 July 1984		7,640	11,717	16,507	17,419	11,868	6,052	14,543	85,746	
<u>Net Book Value</u>										
At 1 July 1984		£-	£8,409	£9,973	£31,440	£25,499	£38,217	£64,034	£177,572	
At 31 March 1983		£4,671	£14,463	£16,737	£31,807	£17,323	£-	£29,939	£114,940	

Notes to the accounts for the fifteen months ended 1 July 1984 - continued

Fixed asset investments

9	<u>1984</u>	<u>1983</u>
	£	£
Shares in group companies	<u>12,700</u>	<u>100</u>

Shares in group companies comprise the cost of investments in subsidiary companies. Movements during the period are as follows:-

	£
Balance at 31 March 1983	100
Purchase of shares in subsidiary	<u>12,600</u>
Balance at 1 July 1984	<u>£12,700</u>

Details of the subsidiary companies are as follows:-

<u>Name</u>	<u>Country of incorporation</u>	<u>Description and amount of shares held</u>	<u>Proportion of nominal value of issued shares held</u>	<u>Principal activity</u>
SATV Publishing Limited	UK	100 ordinary shares of £1 each	100%	Dormant
SATV GmbH	Federal Republic of Germany	Capital Stock of DM 50,000	100%	Television Services

These accounts do not incorporate the accounts of the subsidiary companies as the company's directors are of the opinion that it would be of no real value to the members of the company in view of the insignificant amounts involved. In the opinion of the directors the aggregate value of the assets consisting of shares in the company's subsidiaries is not less than the aggregate of the amounts at which those assets are stated in the balance sheet.

Stocks

10	<u>1984</u>	<u>1983</u>
Stocks comprise:-	£	£
Programme purchases	2,012,767	222,578
Decoders	94,206	149,354
Tapes	5,737	8,613
Dishes	11,528	14,446
	<u>£2,124,238</u>	<u>£394,991</u>

There is a commitment to purchase further decoders at a cost of approximately £150,000.

Notes to the accounts for the fifteen months ended 1 July 1984 - continuedDebtors

11	<u>1984</u>	<u>1983</u>
	£	£
Trade debtors	133,648	43,438
Amounts owed by group companies:		
Subsidiary companies	9,931	-
Holding company and fellow subsidiaries	231,879	-
Other debtors	339,065	23,919
Prepayments and accrued income	173,367	18,866
	<u>£887,890</u>	<u>£86,223</u>

All the above amounts are due within one year of the balance sheet date.

Creditors: amounts falling due within one year

12	<u>1984</u>	<u>1983</u>
	£	£
Bank overdraft	136,963	-
Trade creditors	2,302,297	405,295
Amounts owed to group companies:		
Subsidiary companies	9,931	-
Fellow subsidiary companies	24,410	-
Other creditors	14,347	151,293
Taxation and social security	62,927	29,187
Accruals and deferred income	94,124	23,645
Satellite downlink charges	188,525	-
	<u>£2,833,524</u>	<u>£609,420</u>

Creditors: amounts falling due after more than one year

13	<u>1984</u>	<u>1983</u>
	£	£
"A" convertible unsecured loan stock 1997	8,948,481)	3,500,000
"B" convertible unsecured loan stock 1997	4,149,519)	
	<u>13,098,000</u>	<u>3,500,000</u>
	500,000	500,000
Unsecured loan stock 1992/95	<u>£13,598,000</u>	<u>£4,000,000</u>

Notes to the accounts for the fifteen months ended 1 July 1984 - continued

Under the terms of the Trust Deed made between the Company and the Trustee, The Law Debenture Corporation plc, the following provisions apply:-

(a) Unsecured Loan Stock 1992/1995

Interest: Interest will accrue and be payable on the loan stock in any event not later than 1 April 1988 and before such date if the company has made in any financial year a profit before taxation of not less than £3,000,000.

Interest will be payable half yearly in arrears. The rate of interest will be equivalent to the London Inter-Bank offered rate for the relevant half year.

Redemption: At any time after 31 March 1992 the loan stock may be redeemed at par with accrued interest at the company's option in whole or in part, on three months written notice.

All loan stock not previously redeemed by the company shall be repaid on 31 March 1995, at par, together with accrued interest.

Transfer: The loan stock is freely transferable in amounts and integral multiples of £1.

Subordination: The loan stock ranks in priority to the convertible stock, but the loan stock holders' rights are subordinated to the claims of all other creditors of the company.

(b) Convertible Unsecured Loan Stock 1997

Interest: No interest shall accrue or be payable on the convertible stock.

Conversion rights: Each stockholder has the right to convert the whole, but not part, of his holding of convertible stock into fully paid ordinary share capital at the rate of £1 nominal of "A"/"B" ordinary share capital for every £10 nominal of "A"/"B" convertible stock held respectively.

The right is exercisable on or after 1 January 1987 or, if earlier, the happening of any of the following events:-

- (i) a change in control of the company;
- (ii) the payment of a dividend or the making of any other distribution to the holders of the ordinary shares;
- (iii) the company being placed in liquidation.

Notes to the accounts for the fifteen months ended 1 July 1984 - continuedFurther stock

The company shall from time to time be entitled to create and issue additional stock which is in all respects identical and forms one series with the convertible stock. Any such additional stock issued to the holder of any "A" convertible stock (or the associate of such holder) shall automatically be designated "A" convertible stock and any other such additional stock shall automatically be designated "B" convertible stock.

All convertible stock not previously converted or redeemed will be redeemed at par on 31 March 1997.

Voting rights: Prior to conversion, in general meetings of the company every stockholder shall have one vote for every £20 in nominal amount of convertible stock held by him save that on resolutions relating to the appointment of B directors, holders of "B" convertible stock shall have 1 vote for every £10 in nominal amount of "B" convertible stock held by him.

Transfer: The convertible stock is transferable in amounts and integral multiples of £1.

Subordination: In the event of a liquidation the claims of holders of convertible stock will rank behind the claims of all other creditors of the company, including holders of the loan stock.

Called up share capital

	<u>1984</u>	<u>1983</u>
	£	£
14		
Authorised:		
10,000,000 ordinary shares of £1 each	<u>10,000,000</u>	<u>625,000</u>
Allotted, called up and fully paid:		
"A" ordinary - 655,793 shares of £1 each	655,793	-
"B" ordinary - 151,207 shares of £1 each	151,207	-
Ordinary shares of £1 each	<u>-</u>	<u>113,000</u>
	<u>£807,000</u>	<u>£113,000</u>

On 28 June 1983 the 113,000 ordinary £1 shares in issue were designated "B" ordinary £1 shares. During the period 655,793 "A" ordinary £1 shares and 38,207 "B" ordinary £1 shares were allotted for cash at par. The aggregate consideration received was £694,000.

SATELLITE TELEVISION PUBLIC LIMITED COMPANYNotes to the accounts for the fifteen months ended 1 July 1984 - continuedContingent liabilities

15 The company has been threatened by a German company with litigation in connection with the transmission of two films. The company holds warranties which, the directors have been advised by their legal advisers, indemnify the company against these claims. The directors therefore do not expect any net liability to arise from the potential litigation.

16 Under the arrangements entered into for the acquisition of rights to transmit programmes, additional payments will become due in respect of programme purchases if at the time of transmission the Audience Research figure for households or other receivers able to receive the transmission exceeds one million. The additional payment will vary according to the size of the Audience Research figure.

17 The company has entered into a number of agreements, in the ordinary course of its business, which extend into future accounting periods and commit the company to significant financial obligations. Certain of these obligations are denominated in foreign currencies. These agreements were authorised at a board meeting on 30 November 1983.

Ultimate holding company

18 The directors regard The News Corporation Limited, a company incorporated in South Australia, as the company's ultimate holding company.