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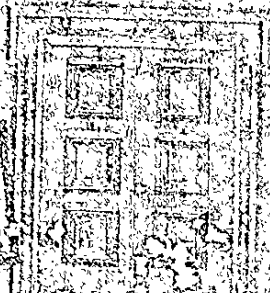
SATELLITE TELEVISION PUBLIC LIMITED COMPANY  
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ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1987

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

COMPANIES DEPARTMENT

27 DEC 1987



SATELLITE TELEVISION PUBLIC LIMITED COMPANY  
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ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1987

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

DIRECTORS DURING THE YEAR:

D. Berriman

P.T.S. Cox (Deputy Chairman & Chief Executive)

Sir James Cruthers (Chairman)

L. Hertz

B.R. Horton

J.B.H. Jackson

B.R. Matthews

D.J. Montgomery

K.R. Murdoch

W.A. O'Neill

Lord Romsey

M. Ruda

R.H. Searby

J. Styles (Managing Director)

SECRETARY:

E. Rogers

REGISTERED OFFICE:

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

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1987

The directors present their annual report and the audited accounts for the year ended 30 June 1987.

**PRINCIPAL ACTIVITY:**

The principal activity of the group continues to be the transmission of an English language satellite television broadcasting service in Europe.

**FINANCIAL POSITION OF THE GROUP:**

The group has continued to incur losses during the year. These are as a result of increases in operating costs in line with the planned expansion of the group's activities. Turnover has increased by 27% to £10,246,211 but still falls short of the level at which the group expects to break even.

**RESULTS FOR THE YEAR:**

Results are as follows-

Accumulated deficit at 30 June 1986	£ (20,533,474)
Loss for the year	(9,229,391)
	=====
Accumulated deficit at 30 June 1987	£ (29,762,865)
	=====

The directors recommend that no dividend be paid.

**FIXED ASSETS:**

The movements in tangible fixed assets during the year are set out in Note 9 to the accounts.

**SHARE CAPITAL:**

Share capital is as disclosed in Note 15 to the accounts.

**DIRECTORS AND THEIR INTERESTS:**

Changes in the directors of the company are as follows-

L. Hertz (appointed 24 February 1987)  
B.R. Horton (resigned 15 October 1986)  
B.R. Matthews (resigned 31 December 1986)  
D.J. Montgomery (appointed 24 February 1987)  
W.A. O'Neill (appointed 24 February 1987)  
J. Styles (appointed 14 October 1986)

DIRECTORS' REPORT (Continued)

On 14 October 1986, J. Styles was appointed as managing director and P.T.S. Cox, the previous managing director, became deputy chairman and chief executive. Sir James Cruthers remains the chairman.

The interests of directors in the shares of the company are as shown below-

<u>Directors</u>	<u>Interests</u>	Ordinary shares of £1 each	
		As at <u>30 June 1987</u>	As at <u>30 June 1986</u>
D. Berriman	Beneficial	2,000	5,000
Lord Romsey	Beneficial	8,500	8,500
		=====	=====

None of the other directors held any shares in the company.

As at 30 June 1987 D.J. Montgomery holds 50 Special Dividend shares of 25p each in News International plc.

K.R. Murdoch and R.H. Searby have interests in parent companies which are disclosed in the accounts of News International plc.

**SUBSTANTIAL SHAREHOLDINGS:**

News International plc holds ordinary shares and convertible stock in the company which carry more than 5 per cent of the votes currently exercisable in general meeting. The interests of News International plc at 30 June 1987 were as follows-

**Holdings in-**

Number of 'A' ordinary shares of £1 each	732,532
Convertible unsecured loan stock	£17,940,668
Voting rights in general meeting before conversion of loan stock as a percentage of total voting rights	83.7%
Voting rights in general meeting after full conversion of loan stock as a percentage of total voting rights	81.8%

DIRECTORS' REPORT (Continued)

SUBSEQUENT EVENTS:

As a result of the group's financial position at the end of the year, its borrowings exceed the level stipulated in the company's articles of association and in the two Trust Deeds governing the loan stocks outlined in Note 14 to the accounts.

The company is however intending to raise £22,638,000, by ways of rights issue, by issuing further Convertible Unsecured Loan Stock 1997. This will bring the company's present borrowings within the stipulated limits.

The rights issue will be underwritten by News International plc. Full details of the issue, including the reasons for the issue, are given in a rights issue document dated 2 October 1987.

Subsequent to the issue and should all rights be taken up, News International plc will be entitled to 83.0% of the votes in a general meeting and would be entitled, following full conversion of the loan stock, to 81.9% of such votes.

AUDITORS:

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen & Co. as auditors for the ensuing year.

BY ORDER OF THE BOARD,

E. Rogers  
Secretary

2 October 1987

ARTHUR ANDERSEN & Co.

1 SURREY STREET  
LONDON WC2R 2PS

To the Members of SATELLITE TELEVISION PUBLIC LIMITED COMPANY:

We have audited the accounts set out on pages 6 to 20 in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company and group at 30 June 1987 and of the group loss and source and application of funds for the year then ended, and comply with the Companies Act 1985.

*Arthur Andersen & Co.*

2 October 1987

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1987

	<u>Notes</u>	<u>1987</u>	<u>1986</u>
TURNOVER	2	£ 10,246,211	£ 8,040,609
Cost of sales		(12,582,723)	(8,909,410)
GROSS LOSS		(2,336,512)	(868,801)
Other operating expenses (net)	3	(7,646,377)	(4,912,814)
OPERATING LOSS		(9,982,889)	(5,781,615)
Interest income	4	11,886	98,063
Interest payable and similar charges	5	(227,798)	(1,529)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(10,198,801)	(5,685,081)
Taxation	8	969,410	2,050,972
LOSS FOR THE FINANCIAL YEAR		(9,229,391)	(3,634,109)
ACCUMULATED DEFICIT, at 30 June 1986		(20,533,474)	(16,899,365)
ACCUMULATED DEFICIT, at 30 June 1987		£(29,762,865)	£(20,533,474)

The accompanying notes are an integral part of this consolidated profit and loss account.



SATELLITE TELEVISION PUBLIC LIMITED COMPANY

CONSOLIDATED BALANCE SHEET -- 30 JUNE 1987

	Notes	1987	1986
FIXED ASSETS			
Tangible assets			
CURRENT ASSETS	9	£ 536,214	£ 353,913
Stocks			
Debtors	11	2,749,541	2,335,697
Cash at bank and in hand	12	7,156,800	6,210,962
		155,515	2,305
		10,061,856	8,548,964
CREDITORS: Amounts falling due within one year			
NET CURRENT (LIABILITIES) ASSETS	13	(15,187,827)	(4,182,133)
TOTAL ASSETS LESS CURRENT LIABILITIES		(5,125,971)	4,366,831
CREDITORS: Amounts falling due after more than one year		(4,589,757)	4,720,744
	14	(23,484,108)	(23,565,218)
		£(28,073,865)	£(18,844,474)
CAPITAL AND RESERVES			
Called-up share capital	15	£ 807,000	£ 807,000
Share premium account	16	882,000	882,000
Profit and loss account	16	(29,762,865)	(20,533,474)
		£(28,073,865)	£(18,844,474)

The accompanying notes are an integral part of this consolidated balance sheet.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

BALANCE SHEET -- 30 JUNE 1987

	<u>Notes</u>	<u>1987</u>	<u>1986</u>
<b>FIXED ASSETS</b>			
Tangible assets	9	£ 271,806	£ 335,970
Investments	10	49,365	12,700
		<u>321,171</u>	<u>348,670</u>
<b>CURRENT ASSETS</b>			
Stocks	11	2,749,541	2,335,697
Debtors	12	6,888,284	6,634,810
Cash at bank and in hand		17,166	1,132
		<u>9,654,991</u>	<u>8,971,639</u>
CREDITORS: Amounts falling due within one year	13	(14,681,790)	(4,151,582)
NET CURRENT (LIABILITIES) ASSETS		<u>(5,026,799)</u>	<u>4,820,057</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(4,705,628)</u>	<u>5,168,727</u>
CREDITORS: Amounts falling due after more than one year	14	(23,476,204)	(23,565,218)
		<u>£(28,181,832)</u>	<u>£(18,396,491)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	15	£ 807,000	£ 807,000
Share premium account	16	882,000	882,000
Profit and loss account	16	(29,870,832)	(20,085,491)
		<u>£(28,181,832)</u>	<u>£(18,396,491)</u>

SIGNED ON BEHALF OF THE BOARD

Sir James Cruthers     )  
                                  ) Directors  
P.T.S. Cox                )

2 October 1987

*J.W. Cruthers*  
*P.T.S. Cox*

The accompanying notes are an integral part of this balance sheet.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30 JUNE 1987

	<u>1987</u>	<u>1986</u>
<b>SOURCE OF FUNDS</b>		
Proceeds from disposal of tangible fixed assets	£ 8,162	£ 7,402
Increase in other creditors due after more than one year	-	265,218
Issue of loan stock	-	5,292,000
Decrease in net current assets, as shown below	9,492,802	-
	<u>£ 9,500,964</u>	<u>£ 5,564,620</u>
<b>APPLICATION OF FUNDS</b>		
Loss on ordinary activities after taxation	£ 9,229,391	£ 3,634,109
Item not involving cash flow during the year		
- depreciation	(207,109)	(341,581)
- loss on disposal of fixed assets	(24,689)	-
- currency adjustment of fixed assets	11,345	-
Total funds absorbed by operations	9,008,938	3,292,528
Purchase of tangible fixed assets	410,916	65,579
Decrease in other creditors due after more than one year	81,110	-
Increase in net current assets, as shown below	-	2,206,513
	<u>£ 9,500,964</u>	<u>£ 5,564,620</u>
<b>INCREASE (DECREASE) IN NET CURRENT ASSETS</b>		
Stocks	£ 413,844	£ 418,392
Debtors	945,838	4,982,269
Creditors falling due within one year, excluding bank loans and overdrafts	(856,061)	(25,813)
	(503,621)	5,374,848
Movement in net liquid funds		
- cash at bank and in hand	153,210	(2,782,651)
- bank loans and overdrafts	(10,149,633)	(385,684)
	<u>£ (9,492,802)</u>	<u>£ 2,206,513</u>

The accompanying notes are an integral part of this statement.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

NOTES TO ACCOUNTS -- 30 JUNE 1987

1. ACCOUNTING POLICIES:

a) Basis of accounting

The accounts have been prepared under the historical cost convention.

The company has taken advantage of the exemption in the Companies Act 1985 S.228(7) not to present its own profit and loss account. The loss for the year dealt with in the accounts of the company amounted to £9,785,341.

b) Basis of consolidation

The group accounts consolidate the accounts of Satellite Television Public Limited Company and its subsidiaries - Satellite Television GmbH, SATV Publishing Limited, Hit Productions Limited, Sky Channel AG and Superchannel Europe Limited, Sky Channel BV.

In the company's accounts investments in subsidiaries are stated at cost. No dividends have been paid by the subsidiary companies.

c) Turnover

Turnover, which excludes value added tax, represents the invoiced value of advertising and other revenues.

d) Fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Principal annual rates used for this purpose are-

Furniture and fittings	-	20% - 25%
Plant and machinery	-	25% - 33%
Motor vehicles	-	25%
Leasehold improvements	-	20% - 50%

e) Stocks

Stocks, apart from programme purchases, are stated at the lower of cost and net realisable value.

Programme purchases are stated at the lower of cost or amortised cost. Cost represents the cost of acquiring the rights to transmit programmes. Amortised cost represents cost less a deduction to reflect rights utilised.

## NOTES TO ACCOUNTS (Continued)

### 1. ACCOUNTING POLICIES (Continued):

#### f) Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are reported at the rates of exchange prevailing at year-end. For the purpose of consolidation, the closing rate method is used to translate accounts of subsidiaries maintained in foreign currencies and the related translation gains or losses are shown as a movement on reserves; profit and loss accounts are translated at average exchange rates ruling during the year.

#### g) Pension costs

It is the general policy of the group to fund pension liabilities, on the advice of external actuaries, by payments to independent trusts or to insurance companies. Payments made to the funds and charged in the accounts represent liabilities in respect of current and past service contributions. Independent actuarial valuations on an aggregate funding basis are generally carried out every three years.

### 2. SEGMENT INFORMATION:

Contributions to group turnover were as follows-

	<u>1987</u>	<u>1986</u>
By activity-		
Advertising	£ 9,396,059	£ 7,809,788
Other	850,152	230,821
	<u>£10,246,211</u>	<u>£ 8,040,609</u>
	=====	=====
By geographical area-		
United Kingdom	£ 2 7,602	£ 989,281
Europe	5, 9,349	6,078,761
USA	274,258	273,699
Other	2,045,002	698,868
	<u>£10,246,211</u>	<u>£ 8,040,609</u>
	=====	=====

### 3. OTHER OPERATING EXPENSES:

	<u>1987</u>	<u>1986</u>
Selling and marketing costs	£4,279,521	£1,600,393
Administrative expenses	3,366,856	3,312,421
	<u>£7,646,377</u>	<u>£4,912,814</u>
	=====	=====

### 4. INTEREST INCOME:

	<u>1987</u>	<u>1986</u>
Holding company	£ 11,886	£ 51,682
Non-group sources	-	46,381
	<u>£ 11,886</u>	<u>£ 98,063</u>
	=====	=====

NOTES TO ACCOUNTS (Continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1987</u>	<u>1986</u>
On bank loans and overdrafts, and other loans repayable within five years, not by instalments	£ 175,923	£ 1,529
On Unsecured Loan Stock 1992/1995 (see Note 14)	51,875	-
	<u>£ 227,798</u>	<u>£ 1,529</u>

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

Loss on ordinary activities before taxation is stated after charging-

	<u>1987</u>	<u>1986</u>
a) Depreciation	£ 207,109	£ 341,581
b) Auditors' remuneration	15,000	12,500
c) Loss on disposal of fixed assets	24,689	-
d) Staff costs (see Note 7 below)	<u>2,379,933</u>	<u>1,590,277</u>

7. STAFF COSTS:

Employee costs, excluding executive directors, during the year amounted to-

	<u>1987</u>	<u>1986</u>
Wages and salaries	£2,108,826	£1,412,312
Social security costs	234,201	140,946
Other pension costs	36,906	37,019
	<u>£2,379,933</u>	<u>£1,590,277</u>

The average weekly number of persons employed by the group during the year was as follows-

	<u>1987</u> <u>Number</u>	<u>1986</u> <u>Number</u>
Production	13	10
Transmission	13	10
Network	23	14
Sales	24	22
Administration	45	40
	<u>118</u>	<u>96</u>

NOTES TO ACCOUNTS (Continued)

7. STAFF COSTS (Continued):

21 employees classified in production in 1986 have been reclassified to administration.

Directors' remuneration is as shown below-

	<u>1987</u>	<u>1986</u>
Fees as directors	£ 11,000	£ 5,000
Consultancy fees paid to other group companies or companies controlled by directors	123,433	90,633
Other emoluments (including pension contributions)	10,159	57,327
Compensation for loss of office	-	48,350
	<u>£144,592</u>	<u>£201,310</u>
	=====	=====

The directors' remuneration shown above (excluding pensions and pension contributions) included-

	<u>1987</u>	<u>1986</u>
Chairman	£ 5,000	£ 4,418
	=====	=====
Highest paid director	£ 58,468	£ 98,578
	=====	=====

Other directors received emoluments (excluding pensions and pension contributions) in the following ranges-

	<u>Number</u>	<u>Number</u>
Up to £ 5,000	9	7
£ 5,001 - £10,000	2	-
£10,001 - £15,000	-	-
£15,001 - £20,000	-	1
£20,001 - £25,000	-	-
£25,001 - £30,000	1	1
£30,001 - £35,000	-	-
£35,001 - £40,000	12	9
£40,001 - £45,000	-	-
	<u>12</u>	<u>9</u>
	=====	=====

Higher paid employees-

Employees of the group, other than directors, whose duties were wholly or mainly discharged in the United Kingdom, received remuneration (excluding pension contributions) in the following ranges-

	<u>1987</u>	<u>1986</u>
	<u>Number</u>	<u>Number</u>
£30,000 - £35,000	4	3
£35,001 - £40,000	1	-
£40,001 - £45,000	4	-
	<u>9</u>	<u>3</u>
	=====	=====

# NOTES TO ACCOUNTS (Continued)

## 8. TAXATION:

The tax charge is based upon the profits for the year of the company's subsidiaries less group relief payments receivable and comprises-

	<u>1987</u>	<u>Group</u>	<u>1986</u>
Overseas taxation	£ (3,498)	£	-
Payment due for group relief	-		2,050,972
Payment due for group relief relating to prior years	972,908		-
	<u>£969,410</u>		<u>£2,050,972</u>
	=====		=====

The company became a member of the News International plc group for taxation purposes on 20 May 1985. Losses prior to 20 May 1985 of £17,000,000 have been carried forward and are available for offset against future profits of the company from the same trade.

Losses for the year of £9,900,000 are available for surrender to fellow subsidiaries for consideration equal to the tax value of the losses taken up. Any losses not thus surrendered will be carried forward and may be offset against future profits of the company from the same trade.

## 9. TANGIBLE FIXED ASSETS:

### GROUP

The movement in the year was as follows-

	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
<b>COST-</b>					
Beginning of year	£ 71,968	£ 403,739	£265,805	£161,980	£ 903,492
Currency adjustment	-	5,198	8,962	-	14,160
Additions	183,088	51,095	159,086	17,647	410,916
Disposals	-	(305,128)	(29,109)	(12,491)	(346,728)
	<u>255,056</u>	<u>154,904</u>	<u>404,744</u>	<u>167,136</u>	<u>981,840</u>
End of year	255,056	154,904	404,744	167,136	981,840
<b>DEPRECIATION-</b>					
Beginning of year	48,701	334,058	110,701	56,119	549,579
Currency adjustment	-	878	1,937	-	2,815
Charge	33,864	53,094	76,764	43,387	207,109
Disposals	-	(304,797)	(5,098)	(3,982)	(313,877)
	<u>82,565</u>	<u>83,233</u>	<u>184,304</u>	<u>95,524</u>	<u>445,626</u>
End of year	82,565	83,233	184,304	95,524	445,626
<b>NET BOOK VALUE</b>					
Beginning of year	£23,267	£ 69,681	£155,104	£105,861	£ 353,913
	=====	=====	=====	=====	=====
End of year	£172,491	£ 71,671	£220,440	£ 71,612	£ 536,214
	=====	=====	=====	=====	=====



NOTES TO ACCOUNTS (Continued)

9. TANGIBLE FIXED ASSETS (Continued):

COMPANY

The movement in the year was as follows-

	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
<b>COST-</b>					
Beginning of year	£71,968	£ 403,739	£244,710	£161,980	£ 882,397
Additions	13,100	30,575	72,031	98	115,804
Disposals	-	(304,798)	(11,879)	(12,491)	(329,168)
End of year	85,068	129,516	304,862	149,587	669,033
<b>DEPRECIATION-</b>					
Beginning of year	48,701	334,058	107,549	56,119	546,427
Disposals	-	(304,797)	(7,499)	(3,982)	(316,278)
Charge	8,246	49,218	66,811	42,803	167,078
End of year	56,947	78,479	166,861	94,940	397,227
<b>NET BOOK VALUE</b>					
Beginning of year	£23,267	£ 69,681	£137,161	£105,861	£ 335,970
End of year	£28,121	£ 51,037	£138,001	£ 54,647	£ 271,806

10. FIXED ASSET INVESTMENTS:

Fixed asset investments represent the cost of share capital of wholly owned subsidiary companies.

Details of the subsidiary companies are as follows-

<u>Name</u>	<u>Country of registration or incorporation</u>	<u>Description and amount of shares held</u>	<u>Principal activity</u>
SATV Publishing Limited	England	100 ordinary shares of £1 each	Music publishing and representation of the company in The Netherlands
Satellite Television GmbH	Federal Republic of Germany	Capital stock of DM 50,000	Representation of the company in Germany and Austria
Hit Productions Limited	England	2 ordinary shares of £1 each	Production of television programmes
Superchannel Europe Limited	England	2 ordinary shares of £1 each.	Dormant
Sky Channel BV	Holland	Capital stock of DFL 40,000	Dormant
Sky Channel AG	Switzerland	Capital stock of FS 50,000	Representation of the company in Switzerland

NOTES TO ACCOUNTS (Continued)

11. STOCKS:

	<u>Group and company</u>	
	<u>1987</u>	<u>1986</u>
Decoders	£ 91,620	£ 85,168
Tapes	4,016	5,295
Receiving dishes	2,000	2,000
Programme rights	2,651,905	2,243,234
	<u>£2,749,541</u>	<u>£2,335,697</u>
	=====	=====

12. DEBTORS:

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
Amounts falling due within one year-				
Trade debtors	£3,239,860	£1,675,501	£3,001,124	£1,672,520
Due from subsidiaries	-	-	-	439,411
Due from other group companies	3,023,880	4,120,972	3,023,880	4,120,972
VAT	604,177	243,574	604,177	243,574
Other debtors	200,021	15,480	174,307	2,898
Prepayments and accrued income	88,862	155,435	84,796	155,435
	<u>£7,156,800</u>	<u>£6,210,962</u>	<u>£6,888,284</u>	<u>£6,634,810</u>
	=====	=====	=====	=====

There were no amounts falling due after more than one year.

13. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
Bank loans and overdrafts	£10,763,217	£ 613,584	£ 8,920,942	£ 613,584
Trade creditors	3,307,171	2,335,247	2,856,822	2,324,382
Due to subsidiaries	-	-	1,927,919	-
Due to other group companies	338,990	234,073	338,990	234,073
Social security and PAYE	154,626	123,083	101,136	123,083
Accruals	623,823	802,734	535,981	802,734
Other	-	73,412	-	53,726
	<u>£15,187,827</u>	<u>£4,182,133</u>	<u>£14,681,790</u>	<u>£4,151,582</u>
	=====	=====	=====	=====

The bank loans and overdrafts are guaranteed by the parent company.

NOTES TO ACCOUNTS (Continued)

14. CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
'A' convertible unsecured loan stock 1997 (see Note 19)	£17,940,668	£17,940,668	£17,940,668	£17,940,668
'B' convertible unsecured loan stock 1997	4,859,332	4,859,332	4,859,332	4,859,332
Unsecured loan stock 1992/1995	500,000	500,000	500,000	500,000
	<u>23,300,000</u>	<u>23,300,000</u>	<u>23,300,000</u>	<u>23,300,000</u>
Other creditors due after more than one year	184,108	265,218	176,204	265,218
	<u>£23,484,108</u>	<u>£23,565,218</u>	<u>£23,476,204</u>	<u>£23,565,218</u>
	=====	=====	=====	=====

Under the terms of the Trust Deed made between the company and the Law Debenture Corporation plc, the trustee, the following provisions apply-

a) Unsecured loan stock 1992/1995

Interest-

Interest has been accruing from 1 July 1986.

Interest is payable half yearly in arrears. The rate of interest is 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 in whole or in part at par with accrued interest at the company's option 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 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.

NOTES TO ACCOUNTS (Continued)

14. CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued):

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.

Further 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 such other 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 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.

NOTES TO ACCOUNTS (Continued)

15. CALLED-UP SHARE CAPITAL:

	<u>1987</u>	<u>Company</u> <u>1986</u>
Authorised-		
10,000,000 ordinary shares of £1 each	£10,000,000	£10,000,000
	=====	=====
Allotted, called-up and fully paid-		
'A' ordinary - 732,532 shares of £1 each (1986 - 729,532) (see Note 19)	£ 732,532	£ 729,532
'B' ordinary - 74,468 shares of £1 each (1986 - 77,468)	74,468	77,468
	-----	-----
	£ 807,000	£ 807,000
	=====	=====

16. RESERVES:

	<u>Group</u>		<u>Company</u>	
	<u>Share premium</u> <u>account</u>	<u>Profit and</u> <u>loss account</u>	<u>Share premium</u> <u>account</u>	<u>Profit and</u> <u>loss account</u>
Beginning of year	£ 882,000	£(20,533,474)	£ 882,000	£(20,085,491)
Retained deficit for the year	-	(9,229,391)	-	(9,785,341)
	-----	-----	-----	-----
End of year	£ 882,000	£(29,762,865)	£ 882,000	£(29,870,832)
	=====	=====	=====	=====

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

At the end of the year, capital commitments were:

	<u>Group and Company</u> <u>1987</u>	<u>1986</u>
Contracted but not provided for	£420,040	£ -
Authorised but not contracted for	-	-
	-----	-----
	£420,040	£ -
	=====	=====
Operating lease commitments were-		
Falling due		
- within one year	£ 5,000	
- within two to five years	43,000	
- after five years	-	
	-----	

NOTES TO ACCOUNTS (Continued)

18. SUBSEQUENT EVENTS:

As a result of the group's financial position at the end of the year, its borrowings exceed the level stipulated in the company's articles of association and in the two Trust Deeds governing the loan stocks outlined in Note 14 to the accounts.

The company is however intending to raise £22,638,000, by ways of rights issue, by issuing further Convertible Unsecured Loan Stock 1997. This will bring the company's present borrowings within the stipulated limits.

The rights issue will be underwritten by News International plc. Full details of the issue, including the reasons for the issue, are given in a rights issue document dated 2 October 1987.

Subsequent to the issue and should all rights be taken up, News International plc will be entitled to 83.0% of the votes in a general meeting and would be entitled, following full conversion of the loan stock, to 81.9% of such votes.

19. HOLDING COMPANY:

The company is a subsidiary of News International plc, which owns all the 'A' ordinary shares and 'A' Convertible Unsecured Loan Stock 1997 of the company. News International plc is entitled to 83.7% of the votes in a general meeting and would be entitled, following full conversion of the loan stock, to 81.8% of such votes. The ultimate parent company is The News Corporation Limited, a company incorporated in South Australia.