

ARTHUR
ANDERSEN
& CO.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

ACCOUNTS

FOR THE YEAR ENDED

30 JUNE 1985

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Directors during the year

D Berriman (Chairman)
P T S Cox (Managing Director)
Sir James Cruthers
E R Horton
J B H Jackson
A F Logie
G Long
B R Matthews
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

The Directors present their annual report and the audited accounts for the year ended 30 June 1985.

Principal Activity

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

Financial Position of The Company

The Company has continued to incur significant losses during the year. These are largely as a result of planned increases in operating costs in line with the expansion of the company's activities. Turnover has increased to £2,768,240 (379% increase) during the year but still falls short of the level at which the company expects to break-even.

Results are as follows:

Retained Loss at 30 June 1984	£(3,685,665)
Loss for the year after remittance of group relief	£(8,213,700)
	<hr/>
Retained loss at 30 June 1985	£(16,899,365)
	<hr/>

The Directors recommend that no dividends be paid.

Fixed Assets

The movements in fixed assets during the period are set out in note 6 to the accounts.

Share Capital

Share Capital is as disclosed in note 12 to the accounts.

Loan Stock

On 19 April 1985 there was a rights issue of £5,292,000 convertible unsecured loan stock (£3,876,604 designated "A" and £1,415,396 designated "B") for cash at par.

Directors and their Interests

Changes in the directors of the company are as follows:

Sir James Cruthers was appointed a director of the company on 26 September 1984;

B R Matthews was appointed a director of the company on 15 January 1985.

A P Logie was appointed a director of the company on 19 February 1985.

G Long resigned as a director of the company on 17 July 1984.

D B Thomson resigned as a director of the company on 9 July 1985.

R H Searby was appointed a director of the company on 9 October 1985.

The interests of directors in company shares are shown below:

<u>Directors</u>	<u>Interests</u>	<u>Ordinary Shares of £1 each</u>	
		<u>As at</u> <u>30 June</u> <u>1985</u>	<u>As at</u> <u>30 June</u> <u>1984</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.

Holdings of shares in other group companies by B.R. Horton and K.R. Murdoch which are required to be disclosed by Section 324 of The Companies Act 1985 are dealt with in the accounts of News International plc.

Major voting rights in the company

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:-

As at 30 June 1985

Company	News International plc
Number of "A" Ordinary Shares of £1 each	723,532
Convertible Unsecured Loan Stock	14,104,078
Voting rights in general meeting before conversion of loan stock as a percentage of total voting rights	83.1%
Voting rights in general meeting after full conversion of loan stock as a percentage of total voting rights	80.9%

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
9 October 1985

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

Holdings of shares in other group companies by B.R. Horton and K.P. Murdoch which are required to be disclosed by Section 324 of The Companies Act 1985 are dealt with in the accounts of News International plc.

Major voting rights in the company

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:-

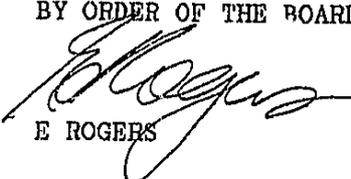
As at 30 June 1985

Company	News International plc
Number of "A" Ordinary Shares of £1 each	729,532
Convertible Unsecured Loan Stock	14,104,078
Voting rights in general meeting before conversion of loan stock as a percentage of total voting rights	83.1%
Voting rights in general meeting after full conversion of loan stock as a percentage of total voting rights	80.9%

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
9 October 1985

REPORT OF THE AUDITORS TO THE MEMBERS OF
SATELLITE TELEVISION PUBLIC LIMITED COMPANY

We have audited the accounts set out on pages 5 to 19 in accordance with approved Auditing Standards.

News International plc has confirmed in writing its intention to continue to support the company financially, until such time as it is able to generate sufficient revenue to become profitable.

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 1985 and of the group loss and the company source and application of funds for the year then ended, and comply with the Companies Act 1985.

Arthur Andersen & Co

CHARTERED ACCOUNTANTS

9 October 1985

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1985

	<u>Notes</u>	Group Year ended 30 June <u>1985</u>	Company only 15 months ended 30 June <u>1984</u>
TURNOVER	1 & 2	£2,768,240	£ 577,474
Cost of sales		(8,139,839)	(5,006,246)
GROSS LOSS		(5,371,599)	(4,428,772)
Distribution Costs		(1,022,770)	(458,783)
Administrative expenses		(2,465,040)	(1,321,545)
OPERATING LOSS		(8,859,409)	(6,209,100)
Interest receivable			
- Holding company		-	344,543
- Non Group sources		252,572	98,730
Interest payable and similar charges			
- Holding company		(31,863)	-
- Non Group sources		-	(3,794)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(8,638,700)	(5,769,621)
TAXATION			
Group Relief receivable	5	425,000	-
LOSS FOR THE YEAR		(8,213,700)	(5,769,621)
ACCUMULATED DEFICIT, at 30 June 1984		(8,685,665)	(2,916,044)
ACCUMULATED DEFICIT, at 30 June 1985		£(16,899,365) =====	£(8,685,665) =====

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

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 1985

	<u>Notes</u>	30 June <u>1985</u>
FIXED ASSETS		
Tangible assets	6	£637,317 =====
CURRENT ASSETS		
Stocks	8	1,917,305
Debtors and prepaid expenses	9	1,228,693
Cash at bank and in hand		2,784,956

		5,930,954
CREDITORS: Amounts falling due within one year	10	(3,770,636)

NET CURRENT ASSETS		2,160,318

TOTAL ASSETS LESS CURRENT LIABILITIES		2,797,635
CREDITORS: Amounts falling due after more than one year	11	(18,890,000)

		£(16,092,365)
		=====
CAPITAL AND RESERVES		
Called-up share capital	12	£ 807,000
Profit and loss account		(16,899,365)

		£(16,092,365)
		=====

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

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

BALANCE SHEET AS AT 30 JUNE 1985

	<u>Notes</u>	30 June <u>1985</u>	30 June <u>1984</u>
FIXED ASSETS			
Tangible assets	6	£618,320	£177,572
Investments	7	12,700	12,700
		<u>631,020</u>	<u>190,272</u>
CURRENT ASSETS			
Stocks	8	1,917,305	2,124,238
Debtors and prepaid expenses	9	1,216,337	887,890
Cash at bank and in hand		2,761,687	5,350,459
		<u>5,895,329</u>	<u>8,362,587</u>
CREDITORS: Amounts falling due within one year	10	<u>(3,738,172)</u>	<u>(2,833,524)</u>
NET CURRENT ASSETS		<u>2,157,157</u>	<u>5,529,063</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,788,177	5,719,335
CREDITORS: Amounts falling due after more than one year	11	<u>(18,890,000)</u>	<u>(13,598,000)</u>
		£(16,101,823)	£ (7,878,665)
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital		£ 807,000	£ 807,000
Profit and Loss account	12	<u>(16,908,823)</u>	<u>(8,685,665)</u>
		£(16,101,823)	£(7,878,665)
		=====	=====

SIGNED ON BEHALF OF THE BOARD

D. Berriman)

) Directors

P.T.S Cox)

9 October 1985



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

SATELLITE TELEVISION PUBLIC LIMITED COMPANY
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 JUNE 1985 (COMPANY ONLY)

	Year ended 30 June <u>1985</u>	15 Months ended 1 July <u>1984</u>
SOURCE OF FUNDS		
Proceeds from disposal of tangible fixed assets	£ -	£ 1,580
Issue of share capital at par	-	694,000
Issue of loan stock	5,292,000	9,598,000
	-----	-----
	£5,292,000	£10,293,580
	=====	=====
APPLICATION OF FUNDS		
Loss on ordinary activities after taxation	£8,223,158	£5,769,621
Deduct items not involving cash flow during the period		
- depreciation	(127,726)	(57,789)
- loss on disposal of tangible fixed assets	-	(1,046)
	-----	-----
Total funds absorbed by operations	8,095,432	5,710,786
Purchase of shares in subsidiary	-	12,600
Purchase of tangible fixed assets at cost	568,474	123,047
Increase (decrease) in net current assets, as shown below	(3,371,906)	4,447,147
	-----	-----
	£5,292,000	£10,293,580
	=====	=====
INCREASE (DECREASE) IN NET CURRENT ASSETS		
Stocks	£(206,933)	£1,729,247
Debtors	328,447	801,667
Creditors falling due within one year	(813,711)	(2,224,104)
	-----	-----
	(692,197)	306,810
Movement in net liquid funds	(2,579,709)	4,140,337
- cash at bank in hand		
	-----	-----
	£(3,371,906)	£4,447,147
	=====	=====

The accompanying notes are an integral part of this statement.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985

1. ACCOUNTING POLICIES

a. Basis of accounting

The accounts have been prepared under the historical cost convention.

News International plc has confirmed in writing its intention to continue to support the company financially, until such time as it is able to generate sufficient revenue to become profitable.

b. Basis of Consolidation

The group accounts consolidate the accounts of Satellite Television plc and all its subsidiaries made up to 30 June 1985. The accounts were not consolidated in the prior year as the directors were of the opinion that it would have been of no value to the members of the company in view of the insignificant amounts involved.

In the Company's accounts investments in subsidiaries are stated at cost. No dividends have been paid by the subsidiary companies. The company has taken advantage of the exemption in The Companies Act 1985 sec 228 (7) not to present its own profit and loss account.

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 the estimated useful life of those assets. 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.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985- Continued

f. Foreign Currency

Assets and liabilities expressed in foreign currencies are translated into sterling at the rates prevailing at the year end. Differences arising on translation are dealt with in the profit and loss account.

2. SEGMENT INFORMATION

Contributions to turnover were as follows:-

	<u>1985</u>	<u>1984</u>
By Geographical area:-		
United Kingdom	646,858	193,640
Other	2,121,382	383,834
	-----	-----
	£2,768,240	£577,474
	=====	=====

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging-

	<u>1985</u>	<u>1984</u>
a. Depreciation and amounts written off tangible fixed assets	£129,769	£ 57,789
b. Auditors' remuneration	£ 9,000	£ 8,000
c. Directors' remuneration	£126,656	£143,543
d. Provisions against programme purchases	-	£ 44,000
	-----	-----

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985 - Continued

4. STAFF COSTS

	<u>1985</u>	<u>1984</u>
Particulars of employee costs (excluding executive directors) are as shown below-		
Employee costs during the period amounted to-		
Wages and salaries	£1,010,413	£467,130
Social security costs	78,163	36,724
Other pension costs	20,768	14,865
	-----	-----
	£1,109,344	£518,719
	=====	=====

The average weekly number of persons employed by the company during the period was as follows-

	<u>Number</u>	<u>Number</u>
Production	45	29
Sales	10	3
Administration	15	9
	---	---
	70	41
	==	==

Directors' remuneration is as shown below-

Fees as directors	£ 10,000	£ 55,942
Consultancy fees paid to other group companies or companies controlled by directors	93,233	70,558
Other emoluments (including pension contributions)	23,423	87,601
	-----	-----
	£126,656	£214,101
	=====	=====

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

Chairman	£ 10,000	£ 10,000
	=====	=====
Highest paid director	£57,000	£44,720
	=====	=====

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

	<u>Number</u>	<u>Number</u>
Up to £ 5,000	7	10
£ 5,001 - £10,000	-	4
£10,001 - £15,000	-	-
£15,001 - £20,000	1	-
£20,001 - £25,000	1	-
	---	---
	9	14
	===	===

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985 - Continued

4. STAFF COSTS (Continued):

Higher paid employees

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

	<u>1985</u> <u>Number</u>	<u>1984</u> <u>Number</u>
£30,000 - £35,000	2	-
£35,001 - £40,000	1	-
	---	---
	3	-
	===	===

5. TAXATION

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.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985 - Continued

6. TANGIBLE FIXED ASSETS

Group

The movement in the year was as follows:

	Leasehold Improvements	Plant & Machinery	Fixtures & Fittings	Motor Vehicles	Total
Cost-					
Beginning of year	£ 7,640	£125,183	£ 87,140	£ 44,269	£264,232
Additions	59,895	274,955	144,212	109,593	588,655
End of year	67,535	400,138	231,352	153,862	852,887
Depreciation-					
Beginning of year	7,640	42,767	29,342	6,052	85,801
Charge	9,120	75,068	29,171	16,410	129,769
End of year	16,760	117,835	58,513	22,462	215,570
Net book value-					
Beginning of year	£ NIL	£82,416	£ 57,798	£ 38,217	£178,431
End of year	£50,775	£282,303	£172,839	£131,400	£637,317

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985 - Continued

6. TANGIBLE FIXED ASSETS (Continued)

Company

The movement in the year was as follows:

Cost-	Leasehold Improvements	Plant & Machinery	Fixtures & Fittings	Motor Vehicles	Total
Beginning of year	£ 7,640	£125,183	£ 86,226	£ 44,269	£263,318
Additions	59,895	274,955	124,031	109,593	568,474
End of year	67,535	400,138	210,257	153,862	831,792
Depreciation-					
Beginning of year	7,640	42,767	29,287	6,052	85,746
Charge	9,120	75,068	27,128	16,410	127,726
End of year	16,760	117,835	56,415	22,462	213,472
Net book value-					
Beginning of year	£ NIL	£ 82,416	£ 56,842	£ 38,217	£177,572
End of year	£50,775	£282,303	£153,842	£131,400	£618,320

7. 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, & representation o the company in The Netherlands
SATV GmbH	Federal Republic of Germany	Capital Stock of DM 50,000	Media research and representation

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985 - Continued

8. STOCKS

	<u>Group</u> <u>1985</u>	<u>1985</u>	<u>Company</u> <u>1984</u>
Decoders	19,625	19,625	94,206
Tapes	16,315	16,315	5,737
Receiving Dishes	2,000	2,000	11,528
Deferred programme costs	1,879,365	1,879,365	2,012,767
	-----	-----	-----
	£1,917,305	£1,917,305	£2,124,238
	=====	=====	=====

9. DEBTORS

	<u>Group</u> <u>1985</u>	<u>1985</u>	<u>Company</u> <u>1984</u>
Amounts falling due within one year:			
Trade Debtors	714,320	714,320	133,648
Due from subsidiaries	-	23,572	9,931
Due from other group companies	30,963	30,963	231,879
VAT	193,362	193,362	282,528
Other debtors	127,102	91,174	56,537
Prepayments and accrued income	162,946	162,946	173,367
	-----	-----	-----
	£1,228,693	£1,216,337	£887,890
	-----	-----	-----

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985 - Continued

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Group</u> <u>1985</u>	<u>1985</u>	<u>Company</u> <u>1984</u>
Bank loans and overdrafts	£ 227,900	£ 227,900	£ 136,963
Trade creditors	1,472,882	1,456,163	2,302,297
Due to subsidiaries	-	-	9,931
Due to other group companies	59,115	59,115	24,410
Social security and PAYE	65,916	65,916	62,927
Accruals and deferred income	1,944,823	1,929,078	296,996
	-----	-----	-----
	£3,770,636	£3,738,172	£2,833,524
	=====	=====	=====

11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	<u>Group</u> <u>1985</u>	<u>1985</u>	<u>Company</u> <u>1984</u>
"A" Convertible unsecured loan stock 1997	12,825,085	12,825,085	8,948,481
"B" Convertible unsecured loan stock 1997	5,564,915	5,564,915	4,149,519
	-----	-----	-----
	18,390,000	18,390,000	13,098,000
Unsecured loan stock	500,000	500,000	500,000
	-----	-----	-----
	£18,890,000	£18,890,000	£13,598,000
	=====	=====	=====

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for year ended 30 June 1985 - continued

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (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 shall accrue from 1 April 1987.

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.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985 - Continued

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 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 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.

SATELLITE TELEVISION PUBLIC LIMITED COMPANY

Notes to the accounts for the year ended 30 June 1985 - Continued

12. CALLED UP SHARE CAPITAL

	<u>1985</u>	<u>1984</u>
Authorised:		
10,000,000 ordinary shares of £1 each	£10,000,000 =====	£10,000,000 =====
Allotted, called up and fully paid:		
"A" ordinary - 729,532 shares of £1 each	729,532	655,793
"B" ordinary - 77,468 shares of £1 each	77,468	151,207
	-----	-----
	£807,000 =====	£807,000 =====

13. HOLDING COMPANY

The company is a subsidiary of News International plc. The ultimate parent company is The News Corporation Limited, a company incorporated in South Australia.