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SKY TELEVISION PLC AND SUBSIDIARIES

ACCOUNTS --- 30 JUNE 1990

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



SKY TELEVISION PLC AND SUBSIDIARIES

DIRECTORS DURING THE YEAR:

A.F. Neil
P. Mastandrea
G.D. Davey (Managing Director)
C.J. Allwood
S.M. Till
K.R. Murdoch (Chief Executive and Chairman)
D.J. Montgomery
M. Ruda
R.H. Searby
Sir James Cruthers
W.A. O'Neill (resigned 1 January 1990)
J. Styles (resigned 8 August 1989)

SECRETARY:

E. Rogers

REGISTERED OFFICE:

PO Box 495
Virginia Street
London
E1 9XY

SKY TELEVISION PLC AND SUBSIDIARIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 1990

The directors present their annual report on the affairs of the group together with the accounts and auditors' report for the year ended 30 June 1990.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS:

The principal activity of the group continues to be the transmission of a four channel English language satellite television broadcasting service. All four channels are relayed by the Astra satellite.

The group commenced its multi-channel broadcasting activities on the Astra satellite in February 1989. By July 1990, Sky's programming was received in 1.6 million homes in the United Kingdom and Eire and the number of homes connected is increasing.

FINANCIAL POSITION OF THE GROUP:

The group operating loss for the year, excluding exceptional items, was approximately £96 million.

The News Corporation Limited, the ultimate parent company, has agreed to provide or procure adequate financial resources to allow the group to meet its obligations as they fall due. Furthermore, it has agreed to indemnify the group for any losses that would be incurred on any decision to terminate or curtail substantially the current multi-channel broadcasting activity of the group.

The directors have decided to adopt a more prudent accounting policy for the costs attributable to the development and implementation of Sky's multi-channel broadcasting. Such costs are now written off as incurred rather than being deferred and amortised. This decision was made notwithstanding that Sky is performing in accordance with its long term strategic business plan. The development and implementation period ceased during the year and associated costs in the period to this point amounted to just under £59 million. These costs have been classified as an exceptional item. The 1989 comparatives have been restated to reflect this change in accounting policy and accordingly some £75 million of such costs has been written off in the 1989 profit and loss account.

DIRECTORS' REPORT (Continued)

GROUP RESULTS FOR THE YEAR:

Results are as follows-

	£000
Accumulated deficit at beginning of year	39,018
Prior year adjustment	75,334
Loss for the year	227,905
Translation gain for the year	(32)
	<hr/>
Accumulated deficit at end of year	342,225
	<hr/>

The directors recommend that no dividends be paid.

FIXED ASSETS:

The movements in tangible fixed assets during the year are set out in Note 11 to the accounts.

DIRECTORS AND THEIR INTERESTS:

The directors of the company during the year are shown on Page 1.

None of the directors held any shares in the company as at 30 June 1990.

The interest of the directors of the company in options on Ordinary shares of 50 cents Australian in The News Corporation Limited, the ultimate holding company, are as follows-

	At Aus \$10.22, Aus \$11.75 or Aus \$13.90 <u>30 June 1990</u>	At Aus \$10.22 <u>30 June 1989</u>
A.F. Neil	150,000	50,000
G.D. Davey	40,000	40,000
C.J. Allwood	15,000	15,000
S.M. Till	15,000	15,000
D.J. Montgomery	75,000	50,000
Sir James Gruthers	50,000	50,000
	<hr/>	<hr/>

None of the directors held Ordinary shares in The News Corporation Limited at 30 June 1990 except for K.R. Murdoch and R.H. Searby. The interests of K.R. Murdoch, R.H. Searby and M. Ruda in The News Corporation Limited and News International plc are disclosed in the accounts of News International plc.

DIRECTORS' REPORT (Continued)

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 1990 were as follows--

Number of 'A' ordinary shares of £1 each	734,532
'A' Convertible unsecured loan stock	£120,838,978
Voting rights in general meeting as a percentage of total voting rights (95.82% following full conversion of all loan stock)	95.55%

CHARITABLE AND POLITICAL CONTRIBUTIONS:

No political contributions were made during the year (1989 - nil). Charitable donations made during the year amounted to £4,045 (1989 - nil).

EMPLOYMENT OF DISABLED PERSONS:

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

EMPLOYEE CONSULTATION:

It is the policy of the group to develop employee involvement throughout the organisation and to ensure that they are aware of the financial and economic factors affecting the company and its subsidiaries.

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

DIRECTORS' REPORT (Continued)

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

23 August 1990

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R 2PS

Auditors' Report to the Members of SKY TELEVISION PLC:

We have audited the accounts on pages 7 to 29 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the company and the group at 30 June 1990 and of the group loss and source and application of funds for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, we draw attention to Note 21 which refers to the agreement of the ultimate parent company to continue to provide financial support for the operations of the group.

Arthur Andersen & Co.

London

23 August 1990

SKY TELEVISION PLC AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1990

	<u>Notes</u>	<u>1990</u> £000	1989 as restated (see Note 19) £000
TURNOVER	2	35,900	7,036
Cost of sales		(108,371)	(8,744)
GROSS LOSS		<u>(72,471)</u>	<u>(1,708)</u>
Other operating expenses (net)	3	(23,536)	(4,134)
Exceptional items	4	(98,540)	(75,334)
OPERATING LOSS		<u>(194,547)</u>	<u>(81,176)</u>
Investment income	5	2,225	641
Interest payable and similar charges	6	<u>(35,583)</u>	<u>(351)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(227,905)	(80,886)
Taxation	9	<u>-</u>	<u>3,100</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(227,905)	(77,786)
Extraordinary item	10	<u>-</u>	<u>(124)</u>
RETAINED LOSS FOR THE YEAR	18	<u>(227,905)</u> =====	<u>(77,910)</u> =====

Details of movements on reserves are shown in Note 18.

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

SKY TELEVISION PLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET -- 30 JUNE 1990

	<u>Notes</u>	<u>1990</u> £000	1989 as restated (see Note 19) £000
FIXED ASSETS			
Tangible assets	11	155,368	24,683
Investments	12	19	-
		<u>155,387</u>	<u>24,683</u>
CURRENT ASSETS			
Stocks	13	63,601	47,677
Debtors	14	127,707	92,756
Cash at bank and in hand		10,932	742
		<u>202,240</u>	<u>141,175</u>
CREDITORS: Amounts falling due within one year	15	(571,963)	(150,537)
NET CURRENT LIABILITIES		<u>(369,723)</u>	<u>(9,362)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(214,336)</u>	<u>15,321</u>
CREDITORS: Amounts falling due after more than one year	16	(126,200)	(127,984)
		<u>(340,536)</u>	<u>(112,663)</u>
CAPITAL AND RESERVES			
Called-up share capital	17	807	807
Share premium account	18	882	882
Profit and loss account	18	(342,225)	(114,352)
		<u>(340,536)</u>	<u>(112,663)</u>

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

SKY TELEVISION PLC

BALANCE SHEET -- 30 JUNE 1990

	<u>Notes</u>	<u>1990</u> £000	1989 as restated (see Note 19) £000
FIXED ASSETS			
Tangible assets	11	27,884	24,677
Investments	12	109	58
		<u>27,993</u>	<u>24,735</u>
CURRENT ASSETS			
Stocks	13	63,601	47,677
Debtors	14	164,527	91,633
Cash at bank and in hand		6,095	117
		<u>234,223</u>	<u>139,427</u>
CREDITORS: Amounts falling due within one year	15	(401,799)	(139,955)
NET CURRENT LIABILITIES		<u>(167,576)</u>	<u>(528)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(139,583)</u>	<u>24,207</u>
CREDITORS: Amounts falling due after more than one year	16	(126,200)	(126,200)
		<u>(265,783)</u>	<u>(101,993)</u>
CAPITAL AND RESERVES			
Called-up share capital	17	807	807
Share premium account	18	882	882
Profit and loss account	18	(267,472)	(103,682)
		<u>(265,783)</u>	<u>(101,993)</u>

SIGNED ON BEHALF OF THE BOARD

K.R. Murdoch)
) Directors
C.J. Allwood)

23 August 1990

K.R. Murdoch
C.J. Allwood



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

SKY TELEVISION PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30 JUNE 1990

	<u>1990</u> £000	1989 as restated (see Note 19) £000
SOURCE OF FUNDS		
Issue of convertible unsecured loan stock	-	80,262
Decrease in other debtors due after more than one year	2,076	-
Increase in other creditors due after more than one year	-	1,644
Proceeds from disposal of tangible fixed assets	257	21
Decrease in net current assets, as shown below	358,317	83,622
	<u>360,650</u>	<u>165,549</u>
	=====	=====
APPLICATION OF FUNDS		
Loss on ordinary activities after taxation	227,905	77,786
Items not involving cash flow during the year		
- depreciation	(20,326)	(1,862)
- exceptional write-off of tangible fixed assets	(33,000)	-
- loss on disposal of fixed assets	(29)	(509)
- profit retained in associated company after taxation	19	-
	<u>174,569</u>	<u>75,415</u>
Total funds absorbed by operations		
Extraordinary item less taxation	-	124
Purchase of tangible fixed assets	184,297	26,246
Increase in other debtors due after more than one year	-	63,764
Decrease in other creditors due after more than one year	1,784	-
	<u>360,650</u>	<u>165,549</u>
	=====	=====
INCREASE (DECREASE) IN NET CURRENT ASSETS		
Stocks	15,924	44,217
Debtors	37,027	21,867
Creditors falling due within one year, excluding bank loans and overdrafts	(488,716)	(43,588)
Foreign exchange attributable to monetary assets and liabilities of overseas subsidiaries	(32)	(181)
	<u>(435,797)</u>	<u>22,315</u>
Movement in net liquid funds		
- cash at bank and in hand	10,190	(7,427)
- bank loans and overdrafts	67,290	(98,510)
	<u>(358,317)</u>	<u>(83,622)</u>
	=====	=====

The accompanying accounting policies and notes are an integral part of this statement.

SKY TELEVISION PLC AND SUBSIDIARIES

NOTES TO ACCOUNTS --- 30 JUNE 1990

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 S.228 of the Companies Act 1985 not to present its own profit and loss account.

b) Basis of consolidation

The group accounts are made up to 30 June 1990 and consolidate the accounts of Sky Television PLC and all its subsidiaries.

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

Satellite Sport Services Limited, a company in which Sky has an interest comprising 50% of the voting capital and over which it exerts significant influence is treated as an associated company and accounted for under the equity method. It is also a 'related' company as defined by the Companies Act 1985.

c) Turnover

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

d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost, less estimated residual value, of each asset, on a straight-line basis, over its estimated useful life. Principal annual rates used for this purpose are-

Furniture and fittings	10% - 25%
Plant and machinery	5% - 33%
Motor vehicles	25%
Leasehold improvements	4%
Satellite television receiving equipment	33%

e) Development and implementation costs

Costs attributable to the development and implementation by Sky Television of multi-channel broadcasting are written off as incurred and classified as an exceptional item. This represents a change from the prior year policy of deferring and amortising such costs. The comparatives have been restated, as detailed in Note 19, to reflect this change in accounting policy which has been adopted as the directors consider it gives a more conservative presentation of the financial position of the group.

NOTES TO ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

f) Stocks

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

Television programming rights are stated at cost less accumulated amortisation. Provisions are made for any excess or obsolete programme rights. Direct costs of own productions are included within the cost of programme rights. Cost of programme rights, and the related liability, are recorded at cost when the programmes are both available for transmission and payable under contract terms.

Contractual obligations for programme rights not yet available for transmission are not included in the cost of television programme rights but are disclosed under capital commitments, authorised and contracted for, in Note 20.

Amortisation is provided to write off the costs of television programme rights as follows-

Sports and current affairs	- 100% on first showing
General entertainment	- Reducing balance on each transmission
Movies	- Straight-line basis over period of transmission rights.

The current portion of programme rights represents the estimated amount to be amortised in the next financial year. The related liabilities are classified as current or non-current in accordance with payment terms.

g) Prepaid transponder rentals

Payments made in advance to secure distribution channels on the Astra satellite are recorded as prepaid transponder rentals and included in debtors. These payments are amortised, on a straight-line basis, to the profit and loss account over the ten year rental period.

h) Taxation

Corporation tax is provided at current rates on all taxable profits. Credit is taken for amounts received for losses surrendered to fellow subsidiary companies in the year the surrender takes place.

No credit is recognised for losses carried forward.

NOTES TO ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

i) Foreign currency

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 the year-end are reported at the rates of exchange prevailing at the year-end. For the purpose of consolidation, the closing rate method is used to translate balance sheets 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.

j) Pension costs

Certain employees of the group are members of the group pension scheme administered by News International plc. The scheme is a defined contribution pension scheme and contributions to the scheme are charged to the profit and loss account on an accruals basis.

k) Leases

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

2. SEGMENT INFORMATION:

Contributions to group turnover were as follows-

	<u>1990</u> £000	<u>1989</u> £000
By activity-		
Broadcasting		
- advertising	7,982	10,225
- subscriptions	6,459	-
Equipment leasing	20,783	-
Other	1,697	588
	-----	-----
	36,921	10,813
Less: exceptional item (see Note 4)	(1,021)	(3,777)
	-----	-----
	35,900	7,036
	=====	=====

Equipment leasing includes movie channel subscriptions where the subscriber rents equipment from the group. It is not possible to rent equipment from the group without subscribing to the movie channel.

NOTES TO ACCOUNTS (Continued)

2. SEGMENT INFORMATION (Continued):

	<u>1990</u> £000	<u>1989</u> £000
By geographical area-		
United Kingdom	32,913	5,256
Europe	4,008	4,332
Other	-	1,225
	<hr/>	<hr/>
	36,921	10,813
Less: exceptional item (see Note 4)	(1,021)	(3,777)
	<hr/>	<hr/>
	35,900	7,036
	<hr/>	<hr/>

3. OTHER OPERATING EXPENSES (NET):

	<u>1990</u> £000	<u>1989</u> £000
Selling and marketing costs	18,252	17,144
Administrative expenses	26,118	6,235
	<hr/>	<hr/>
	44,370	23,379
Less: exceptional item (see Note 4)	(20,834)	(19,245)
	<hr/>	<hr/>
	23,536	4,134
	<hr/>	<hr/>

4. EXCEPTIONAL ITEMS:

Details of exceptional items are as follows-

	<u>1990</u> £000	<u>1989</u> £000
Broadcasting development and implementation costs (see below)	58,540	75,334
Write down of plant and equipment and associated costs (see below)	40,000	-
	<hr/>	<hr/>
	98,540	75,334
	<hr/>	<hr/>

The broadcasting development and implementation costs comprise-

	<u>1990</u> £000	<u>1989</u> £000
Broadcasting costs	35,208	54,705
Less: advertising and other revenue (see Note 2)	(1,021)	(3,777)
	<hr/>	<hr/>
Broadcasting costs (net)	34,187	50,928
Other operating expenses (see Note 3)	20,834	19,245
Interest payable and similar charges (see Note 6)	3,519	5,161
	<hr/>	<hr/>
	58,540	75,334
	<hr/>	<hr/>

NOTES TO ACCOUNTS (Continued)

4. EXCEPTIONAL ITEMS (Continued):

These costs represent the total costs of the multi-channel broadcasting activities of the group from February 1989 to the end of the development and implementation period. The directors consider that the development and implementation period ended on 31 August 1989 with the commencement of the equipment rental operation (28 February 1990 in the case of the movie channel, the deemed date of encryption of the channel).

The write down of plant and equipment and associated costs represents provisions against equipment out on rental which may not be recoverable by the group or which may not generate income in the future.

5. INVESTMENT INCOME:

	<u>1990</u> £000	<u>1989</u> £000
Interest receivable on Eurosport loan (see Note 14)	1,718	637
Other interest receivable and similar income	507	4
	<u>2,225</u>	<u>641</u>
	=====	=====

6. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1990</u> £000	<u>1989</u> £000
On bank loans, overdrafts and other loans- repayable within 5 years, not by instalments	39,029	5,454
On unsecured loan stock 1992/1995 (see Note 16)	73	58
	<u>39,102</u>	<u>5,512</u>
Less: exceptional item (see Note 4)	(3,519)	(5,161)
	<u>35,583</u>	<u>351</u>
	=====	=====

NOTES TO ACCOUNTS (Continued)

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

Loss on ordinary activities before taxation is stated after charging-

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
Depreciation	20,326	1,862
Auditors' remuneration	196	75
Rent paid on short term leases	889	122
Loss on disposal of fixed assets	29	117
Staff costs (see Note 8)	21,351	6,299
	=====	=====

Included in the above are the following balances included in exceptional items (see Note 4)-

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
Depreciation	690	1,574
Auditors' remuneration	20	56
Rent paid on short term leases	80	50
Staff costs	2,739	4,159
	=====	=====

8. STAFF COSTS:

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

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
Wages and salaries	19,132	5,672
Social security costs	1,893	581
Other pension costs	326	46
	-----	-----
	21,351	6,299
	=====	=====

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

	<u>Number</u>	<u>Number</u>
Production	603	184
Transmission	33	25
Network	45	19
Sales	27	33
Subscribers services	133	-
Administration	201	72
	-----	-----
	1,042	333
	=====	=====

NOTES TO ACCOUNTS (Continued)

8. STAFF COSTS (Continued):

Directors' remuneration is as shown below-

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
Fees as directors	545	13
Consultancy fees paid to other group companies or companies controlled by directors	-	50
Other emoluments (including pension contributions)	115	80
Retainer fee paid to director	-	25
	<u>660</u>	<u>168</u>
	=====	=====

The directors' remuneration shown above (excluding consultancy fees) included-

Chairman

A.F. Neil (to 1 February 1990)

K.R. Murdoch (from 1 February 1990)

-	-
-	-
=====	=====

Highest paid director

226	75
=====	=====

No charge has been made to Sky Television PLC for the services of either K.R. Murdoch or A.F. Neil as Chairman.

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

	<u>1990</u> <u>Number</u>	<u>1989</u> <u>Number</u>
Up to £ 5,000	5	9
£ 20,001 - £ 25,000	-	1
£ 45,001 - £ 50,000	1	-
£ 55,001 - £ 60,000	1	-
£130,001 - £135,000	1	-
£165,001 - £170,000	1	-
	<u>9</u>	<u>10</u>
	=====	=====

NOTES TO ACCOUNTS (Continued)

8. STAFF COSTS (Continued):

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>1990</u> <u>Number</u>	<u>1989</u> <u>Number</u>
£30,000 - £35,000	64	6
£35,001 - £40,000	36	8
£40,001 - £45,000	19	5
£45,001 - £50,000	11	3
£50,001 - £55,000	8	-
£55,001 - £60,000	8	-
£60,001 - £65,000	2	-
£65,001 - £70,000	3	-
£70,001 - £75,000	6	-
£75,001 - £80,000	1	-
£85,001 - £90,000	1	1
£90,001 - £95,000	1	-
	----	----
	160	23
	====	====

Pensions-

The group operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the group to the fund and amounted to £326,000 (1989 - £46,000). Contributions totalling £1,000 (1989 - £18,000) were payable at the year-end and are included in creditors.

9. TAXATION:

The tax credit is based upon group relief payments receivable and comprises-

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
Payment due for group relief in previous years	-	3,100
	=====	=====

Accumulated losses of approximately £300 million have been carried forward and are available for offset against future profits of the company from the same trade. Of these accumulated losses, approximately £290 million are available for surrender to fellow subsidiaries.

NOTES TO ACCOUNTS (Continued)

10. EXTRAORDINARY ITEMS LESS TAXATION:

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
Surplus on disposal of Sky Channel BV	-	47
Deficit on disposal of Sky Channel GmbH	-	(171)
	-----	-----
Extraordinary loss	-	(124)
	=====	=====

11. TANGIBLE FIXED ASSETS:

Group-

The movement in the year was as follows-

	<u>Leasehold</u> <u>improvements</u> <u>£000</u>	<u>Plant and</u> <u>motor</u> <u>vehicles</u> <u>£000</u>	<u>Satellite</u> <u>television</u> <u>receiving</u> <u>equipment</u> <u>£000</u>	<u>Fixtures</u> <u>and</u> <u>fittings</u> <u>£000</u>	<u>Total</u> <u>£000</u>
COST-					
Beginning of year	10,930	14,918	-	736	26,584
Additions	2,662	8,247	171,755	1,633	184,297
Exceptional item	-	-	(33,000)	-	(33,000)
Disposals	-	(421)	-	(7)	(428)
	-----	-----	-----	-----	-----
End of year	13,592	22,744	138,755	2,362	177,453
	-----	-----	-----	-----	-----
DEPRECIATION-					
Beginning of year	153	1,664	-	84	1,901
Charge	454	3,492	16,278	102	20,326
Disposals	-	(142)	-	-	(142)
	-----	-----	-----	-----	-----
End of year	607	5,014	16,278	186	22,085
	-----	-----	-----	-----	-----
NET BOOK VALUE					
Beginning of year	10,777	13,254	-	652	24,683
	=====	=====	=====	=====	=====
End of year	12,985	17,730	122,477	2,176	155,368
	=====	=====	=====	=====	=====

NOTES TO ACCOUNTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued):

Company-

The movement in the year was as follows-

	<u>Leasehold improvements</u>	<u>Plant and motor vehicles</u>	<u>Fixtures and fittings</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
COST-				
Beginning of year	10,930	14,912	736	26,578
Additions	1,741	5,151	649	7,541
Disposals	-	(421)	(7)	(428)
End of year	<u>12,671</u>	<u>19,642</u>	<u>1,378</u>	<u>33,691</u>
DEPRECIATION-				
Beginning of year	153	1,664	84	1,901
Charge	454	3,492	102	4,048
Disposals	-	(142)	-	(142)
End of year	<u>607</u>	<u>5,014</u>	<u>186</u>	<u>5,807</u>
NET BOOK VALUE				
Beginning of year	<u>10,777</u>	<u>13,248</u>	<u>652</u>	<u>24,677</u>
End of year	<u>12,064</u>	<u>14,628</u>	<u>1,192</u>	<u>27,884</u>

NOTES To ACCOUNTS (Continued)

12. FIXED ASSET INVESTMENTS:

Fixed asset investments in the company balance sheet represent the cost of share capital of wholly owned subsidiary companies.

Details of the subsidiary companies which principally affected the results of the group 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>
Satellite Sport Sales Limited	England	100 ordinary shares of £1 each (100%)	Selling advertising space on Eurosport channel
Sky Subscribers Services Limited	England	2 ordinary shares of £1 each (100%)	Providing a Sky Television receiving equipment rental and subscription service

Investment in subsidiaries-	<u>1990 £000</u>	<u>1989 £000</u>
COST-		
Beginning of year	58	70
Additions	51	17
Disposals	-	(29)
End of year	<u>109</u>	<u>58</u>

Additions in the year represent the cost of subscribing for shares in two newly incorporated subsidiaries: Sky Subscribers Services Limited and Sky Industries Limited.

Investment in associates-

Sky holds 50 ordinary shares of £1 each (50%) in Satellite Sport Services Limited. The fixed asset investments balance in the consolidated balance sheet includes £19,000 (1989 - £Nil) for the group's share of the profit retained in this company. An amount receivable for cash advances made to this company is included in debtors.

NOTES TO ACCOUNTS (Continued)

13. STOCKS:

Stocks for group and company comprise-

	<u>1990</u> <u>£000</u>	<u>1989</u> <u>£000</u>
Television programme rights	63,558	47,631
Raw material and consumables	43	46
	<u>63,601</u>	<u>47,677</u>
	<u>=====</u>	<u>=====</u>

The estimated amount of existing television programme rights to be amortised in the next financial year is £49,000,000 (1989 - £17,000,000).

In addition, approximately £10,919,000 (1989 - £10,704,000) of television programme rights relate to advance payments to secure certain rights to transmit future movie productions.

14. DEBTORS:

Amounts falling due within one year-

	<u>Group</u>		<u>Company</u>	
		1989		1989
		As restated		As restated
	<u>1990</u>	(see Note 19)	<u>1990</u>	(see Note 19)
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Trade debtors	8,226	6,121	4,581	4,939
Due from subsidiaries	-	-	66,871	4,016
Due from News International plc	-	3,139	-	3,091
Due from fellow subsidiaries	-	468	-	468
Due from subsidiaries of the ultimate parent company	-	323	-	323
Due from associated company	16,725	4,553	16,725	4,553
Prepayments and accrued income	6,122	4,328	1,157	451
Prepaid transponder rentals	5,332	5,311	5,332	5,311
Eurosport loan, current portion	4,495	2,635	4,495	2,635
VAT	8,912	1,295	6,326	1,295
Other debtors	7,199	819	2,690	787
Other loans	9,008	-	-	-
	<u>66,019</u>	<u>28,992</u>	<u>108,177</u>	<u>27,869</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Amounts falling due after one year-

Prepaid transponder rentals	42,245	47,799	42,245	47,799
Eurosport loan	14,105	15,965	14,105	15,965
Prepayments and accrued income	338	-	-	-
Other loans	5,000	-	-	-
	<u>127,707</u>	<u>92,756</u>	<u>164,527</u>	<u>91,633</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

NOTES TO ACCOUNTS (Continued)

14. DEBTORS (Continued):

The Eurosport loan is a loan made to a consortium of European Broadcasting Union members who operate the Eurosport channel. It is interest bearing at a commercial rate and is repayable in equal half yearly instalments over a ten year period, commencing 5 August 1989.

Other loans comprise amounts due from satellite receiver equipment installation companies (£3,759,000 of which £1,759,000 is current) and from sales companies for commission paid on contracts issued in excess of installations made (£10,249,000 of which £7,249,000 is current). These amounts are being recovered by a deduction from the cost of each future installation and from the commission on each future sale resulting in an installation, respectively.

All transactions with fellow subsidiaries of News International plc or with subsidiaries of the ultimate parent company are conducted on an arms length basis.

15. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	<u>Group</u>		<u>Company</u>	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Bank loans and overdrafts	33,629	100,919	-	95,515
Trade creditors	54,190	13,132	19,443	10,630
Due to subsidiaries	-	-	-	5,494
Due to News International plc	444,769	8,667	374,169	8,667
Due to fellow subsidiaries	-	1,506	-	1,506
Due to subsidiaries of the ultimate parent company	3,365	5,670	3,365	5,670
Social security and PAYE	746	983	705	983
Accruals	30,429	19,207	3,398	11,442
Other creditors	4,835	453	719	48
	<u>571,963</u>	<u>150,537</u>	<u>401,799</u>	<u>139,955</u>
	=====	=====	=====	=====

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

All intercompany loans are interest free except to the extent that they represent bank overdrafts held on behalf of the group, in which case the external interest charged by the banks is charged on to the group. There are no set repayment terms for these loans.

NOTES TO ACCOUNTS (Continued)

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

	<u>Group</u>		<u>Company</u>	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
'A' convertible unsecured loan stock 1997 (see Note 21)	120,839	120,839	120,839	120,839
'B' convertible unsecured loan stock 1997	4,861	4,861	4,861	4,861
Unsecured loan stock 1992/1995	500	500	500	500
	-----	-----	-----	-----
	126,200	126,200	126,200	126,200
Other creditors due after more than one year	-	1,784	-	-
	-----	-----	-----	-----
	126,200	127,984	126,200	126,200
	=====	=====	=====	=====

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

a) Convertible unsecured loan stock 1997

Interest-

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

Conversion rights-

Each stock holder has the right to convert the whole, but not part, of his or her 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. Full conversion of all 'A' and 'B' convertible stock would result in the issuance of 12,570,000 ordinary shares.

The right became exercisable on 1 January 1987.

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.

NOTES TO ACCOUNTS (Continued)

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

Voting rights-

Prior to conversion, in general meetings of the company every stock holder 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.

b) 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.

Voting rights-

The unsecured loan stock holders have no right to vote in general meetings of the company except in respect of matters that relate to the stock.

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 unsecured 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)

17. CALLED-UP SHARE CAPITAL:

	<u>1990</u> <u>£000</u>	<u>Company</u> <u>1989</u> <u>£000</u>
Authorised-		
25,000,000 ordinary shares of £1 each	25,000	25,000
	=====	=====
Allotted, called-up and fully-paid-		
'A' ordinary - 734,532 shares of £1 each	735	735
'B' ordinary - 72,468 shares of £1 each	72	72
	-----	-----
	807	807
	=====	=====

18. RESERVES:

	<u>Group</u>		<u>Company</u>	
	Share premium account £000	Profit and loss account £000	Share premium account £000	Profit and loss account £000
Beginning of year	882	(39,018)	882	(38,897)
Change in accounting policy	-	(75,334)	-	(64,785)
	-----	-----	-----	-----
Beginning of year as restated	882	(114,352)	882	(103,682)
Loss for the year	-	(227,905)	-	(163,822)
Translation gain	-	32	-	32
	-----	-----	-----	-----
End of year	882	(342,225)	882	(267,472)
	=====	=====	=====	=====

The loss of the company for the year ended 30 June 1989 as restated for the exceptional item was £67,151,000.

19. CHANGE IN ACCOUNTING POLICY:

As explained in Note 1e, the accounting policy for the treatment of costs relating to the development and implementation of multi-channel broadcasting was changed during the year. Such costs are now written off as incurred and classified as an exceptional item.

NOTES TO ACCOUNTS (Continued)

19. CHANGE IN ACCOUNTING POLICY (Continued):

The effect of this change is as follows-

	<u>Group</u> <u>Year ended 30 June 1989</u>	
	<u>As previously reported</u>	<u>As restated</u>
	<u>£000</u>	<u>£000</u>
Exceptional items	-	(75,334)
Loss on ordinary activities after taxation	2,452	77,786
Debtors	168,090	92,756
	=====	=====

20. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

Future expenditure-

	<u>Group and Company</u>	
	<u>1990</u>	<u>1989</u>
	<u>£000</u>	<u>£000</u>
Contracted for but not provided for in the accounts		
- television programme rights	155,811	215,000
- capital expenditure	100,886	-
	-----	-----
	256,697	215,000
	=====	=====

	<u>Group and Company</u>	
	<u>1990</u>	<u>1989</u>
	<u>£000</u>	<u>£000</u>
Authorised but not contracted for		
- television programme rights	25,081	7,896
- capital expenditure	-	7,967
	-----	-----
	25,081	15,863
	=====	=====

Included in television programme right commitments, contracted for but not provided in the accounts, is £54,464,000 (1989 - £69,183,000), being the minimum amounts payable to various third party producers in respect of planned future productions in periods up to 1995. These contracts are subject to price escalation clauses, up to a total maximum commitment of approximately £122,218,000 (1989 - £132,816,000), which are dependent upon the success of individual movies in theatrical and video release and certain other factors.

Under the contracts governing the acquisition of television programme rights from third party producers, substantially all of the group's minimum obligations to third party producers are subject to joint and several guarantees by the ultimate holding company and certain other fellow subsidiaries.

NOTES TO ACCOUNTS (Continued)

20. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (Continued):

In addition to the capital expenditure commitments reflected above, the immediate parent company has, on behalf of Sky Television PLC, entered into a contract to acquire satellite systems from an independent third party at a total cost of approximately £89 million.

Contingent liabilities-

The company has guaranteed that it will, through Sky Subscribers Services Limited, provide a certain level of business to each of the installation companies installing Sky Television receiving equipment under contract with the company or its subsidiaries. The fees payable monthly in respect of the guaranteed level of business will be paid whether work orders up to that level have been provided or not, and the fee relating to the shortfall between actual business provided and the guaranteed level of business will not be recoverable.

Lease commitments-

The group leases certain land and buildings on short and long term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases.

The minimum annual rentals under these leases are as follows-

	<u>Group</u>		<u>Company</u>	
	<u>Property</u>	<u>Plant and</u>	<u>Property</u>	<u>Plant and</u>
	<u>£000</u>	<u>machinery</u>	<u>£000</u>	<u>machinery</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
1990-				
Operating leases which expire				
- within 1 year	-	33	-	33
- within 2-5 years	-	76	-	76
- after 5 years	1,184	-	1,095	-
	<u>1,184</u>	<u>109</u>	<u>1,095</u>	<u>109</u>
	=====	=====	=====	=====
1989-				
Operating leases which expire				
- within 1 year	-	8	-	8
- within 2-5 years	-	101	-	101
- after 5 years	1,095	-	1,095	-
	<u>1,095</u>	<u>109</u>	<u>1,095</u>	<u>109</u>
	=====	=====	=====	=====

In addition to the minimum annual rentals in 1990, £394,000 is payable annually in respect of properties owned or leased by the parent company and charged to the group.

NOTES TO ACCOUNTS (Continued)

21. HOLDING COMPANY:

The company is a subsidiary of News International plc, a UK company, which owns all the 'A' ordinary shares and 'A' convertible unsecured loan stock 1997 of the company. News International plc is entitled to 95.55% of the votes in a general meeting and would be entitled, following full conversion of the loan stock, to 95.82% of such votes.

The ultimate parent company is The News Corporation Limited, a company incorporated in South Australia.

The ultimate parent company has agreed to provide or procure adequate financial resources to allow the group to meet its obligations as they fall due.

Furthermore, The News Corporation Limited has provided an indemnity to the group for any losses that would be incurred on any decision to terminate or curtail substantially its multi-channel broadcasting operations.

The group's balance sheet shows net current liabilities of £369,723,000 and an accumulated deficit of £342,225,000. The accounts have been prepared assuming that the group will continue as a going concern, based on the indemnity provided by the ultimate parent.