NEWS CORP LTD
Form 20-F
December 31, 2002
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

(Mark One)

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2002

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-9141

THE NEWS CORPORATION LIMITED
(Exact name of Registrant as specified in its charter)

Australia
(Jurisdiction of incorporation or organization)

2 Holt Street, Sydney, New South Wales, Australia 2010
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares	New York Stock Exchange (1)
Preferred Limited Voting Ordinary Shares	New York Stock Exchange (1)
American Depositary Shares, each of which represents four Ordinary Shares of The News Corporation Limited	New York Stock Exchange
American Depositary Shares, each of which represents four Preferred Limited Voting Ordinary Shares of The News Corporation Limited	New York Stock Exchange
Guarantee of the 8 $^5/8$% Cumulative Guaranteed Preference Shares, Series A, of Newscorp Overseas Limited	New York Stock Exchange (2)
Guarantee of the Adjustable Rate Cumulative Preference Shares, Series B, of Newscorp Overseas Limited	New York Stock Exchange (2)

(1) The listing of Registrant s Ordinary Shares and Preferred Limited Voting Ordinary Shares on the New York Stock Exchange is for technical purposes only and without trading privileges.

(2) This Guarantee does not trade separately from the Preference Shares of Newscorp Overseas Limited.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Guarantees by The News Corporation Limited of the following securities issued by News America Incorporated: (i) 8 $^{5}/8$% Senior Notes due 2003; (ii) 8 $^{1}/2$% Senior Notes due 2005; (iii) 7 $^{3}/8$% Senior Debentures due 2008; (iv) 6.625% Senior Debentures due 2008; (v) 10 $^{1}/8$% Senior Debentures due 2012; (vi) 9 $^{1}/4$% Senior Debentures due 2013; (vii) 8 $^{5}/8$% Senior Debentures due 2014; (viii) 7.6% Senior Debentures due 2015; (ix) 8% Senior Debentures due 2016; (x) 8 $^{1}/4$% Senior Debentures due 2018; (xi) 7 $^{1}/4$% Senior Debentures due 2018; (xii) Liquid Yield Option Notes due 2021; (xiii) 8 $^{7}/8$% Senior Debentures due 2023; (xiv) 7 $^{3}/4$% Senior Debentures due 2024; (xv) 7 $^{3}/4$% Senior Debentures due 2024; (xvi) 9 $^{1}/2$% Senior Debentures due 2024; (xvii) 8 $^{1}/2$% Senior Debentures due 2025; (xviii) 7.7% Senior Debentures due 2025; (xix) 7.43% Senior Debentures due 2026; (xx) 7 $^{1}/8$% Senior Debentures due 2028; (xxi) 7.3% Senior Debentures due 2028; (xxii) 7.28% Senior Debentures due 2028; (xxiii) 7.625% Senior Debentures due 2028; (xxiv) 6.703% Mandatory Par Put Remarketed Securities due 2034; (xxv) 8.45% Senior Debentures due 2034; (xxvi) 8.15% Senior Debentures due 2036; (xxvii) 6 $^{3}/4$% Senior Debentures due 2038; (xxviii) 7.75% Senior Debentures due 2045; (xxix) 7.9% Senior Debentures due 2095; and (xxx) 8 $^{1}/4$% Senior Debentures due 2096.

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares	2,094,411,035
Preferred Limited Voting Ordinary Shares	3,208,695,775

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ¨ Item 18 x

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* Not applicable

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION

Selected Financial Data

The selected financial data appearing on the next page are set forth in Australian dollars (except as otherwise indicated), and are derived from the Consolidated Financial Statements of The News Corporation Limited and Subsidiaries appearing elsewhere herein and from certain financial data in previously filed annual reports on Form 20-F, as applicable. Certain reclassifications, however, have been made to financial data for fiscal years prior to fiscal 2002 in order to conform with the fiscal 2002 presentation.

The Consolidated Financial Statements of The News Corporation Limited and Subsidiaries have been prepared in accordance with accounting principles generally accepted in Australia (A-GAAP). A-GAAP differs significantly in certain respects from accounting principles generally accepted in the United States (US-GAAP). A discussion of these significant differences for each of the fiscal years 2000 through 2002 is contained in Note 20 to the Consolidated Financial Statements of The News Corporation Limited and Subsidiaries set forth elsewhere herein and Item 5: Operating and Financial Review and Prospects US-GAAP Reconciliation.

The selected financial data should be read in conjunction with, and are qualified in their entirety by reference to, the Consolidated Financial Statements of The News Corporation Limited and Subsidiaries (including the notes thereto) set forth elsewhere herein.

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	Fiscal Year Ended June 30, [1]				
	1998	1999	2000	2001	2002
Amounts in Accordance with US-GAAP					
Income statement data:					
Revenue	A$ 18,897	A$ 21,704	A$ 22,337	A$ 25,387	A$ 28,776
Depreciation and amortization	905	1,033	1,108	1,321	1,373
Operating income	1,921	2,012	1,509	1,823	256
Equity in losses of associated companies	(116)	(509)	(936)	(1,711)	(14,840)
Interest, net	778	783	829	935	(1,000)
Other income (expense)	(111)	1,317	1,924	635	1,965
Income (loss) before cumulative effect of accounting change	555	963	(329)	740	(14,552)
Net income (loss)	555	963	(329)	(218)	(14,670)
Basic and diluted income (loss) before cumulative effect of accounting change per share:					
Ordinary shares	0.13	0.22	(0.09)	0.15	(2.64)
Preferred limited voting ordinary shares	0.15	0.27	(0.10)	0.18	(3.16)
Basic and Diluted Net income (loss) per share:					
Ordinary shares	0.13	0.22	(0.09)	(0.06)	(2.66)
Preferred limited voting ordinary shares	0.15	0.27	(0.10)	(0.07)	(3.19)
Dividends per ordinary share	0.030	0.030	0.030	0.030	0.015
Dividends per preferred ordinary share	0.075	0.075	0.075	0.075	0.0375
Dividends per ordinary share in US dollars	US$ 0.020	US$ 0.019	US$ 0.018	US$ 0.016	US$ 0.008
Dividends per preferred ordinary share in U.S. dollars	US$ 0.051	US$ 0.047	US$ 0.047	US$ 0.041	US$ 0.020
Balance sheet data at period end:					
Cash	A$ 4,314	A$ 7,483	A$ 4,638	A$ 5,615	A$ 6,337
Total assets	48,094	47,094	57,986	81,466	65,837
Total debt	14,422	13,167	15,431	18,805	15,441
Total stockholder s equity	15,713	14,044	18,443	36,285	24,953
Amounts in Accordance with A-GAAP					
Income statement data:					
Sales Revenue	A$ 18,949	A$ 21,774	A$ 22,433	A$ 25,578	A$ 29,014
Depreciation and amortization	415	510	562	706	749
Operating income	2,646	2,752	2,742	3,093	3,542
Net income (loss) from associated entities	190	(545)	(298)	(249)	(1,434)
Net borrowing costs	763	773	814	935	1,000
Dividends on exchangeable preferred securities	74	80	79	90	93
Profit before change in accounting policy, other items and tax	1,999	1,354	1,551	1,819	1,015
Net profit (loss) attributable to members of the parent entity	1,682	1,088	1,921	(746)	(11,962)
Basic/Diluted Net income (loss) per share:					
Ordinary shares	0.40	0.25	0.42	(0.17)	(2.17)
	0.48	0.30	0.51	(0.21)	(2.60)

Preferred limited voting ordinary shares										
Dividends per ordinary share		0.030		0.030		0.030		0.030		0.015
Dividends per preferred ordinary share		0.075		0.075		0.075		0.075		0.0375
Dividends per ordinary share in U.S. dollars	US$	0.020	US$	0.019	US$	0.018	US$	0.016	US$	0.008
Dividends per preferred ordinary share in U.S. dollars	US$	0.051	US$	0.047	US$	0.047	US$	0.041	US$	0.020
Balance sheet data at period end:										
Cash and cash equivalents	A$	4,314	A$	7,483	A$	4,638	A$	5,615	A$	6,337
Total assets		54,484		53,972		65,585		84,961		71,441
Total debt		14,422		13,167		15,431		18,805		15,441
Total stockholder s equity		27,211		27,109		32,660		47,595		39,468

[1] See Note 2 and Note 16 to the Consolidated Financial Statements of News Corporation for information with respect to significant acquisitions and dispositions during fiscal 2000, 2001 and 2002. In fiscal 1999, News Corporation acquired substantially all of Liberty Media Corporation s interest in Fox Sports Networks LLC for aggregate consideration of approximately US$1.3 billion. Also, in fiscal 1999 News Corporation sold News America Publications and certain related assets to TV Guide, Inc. in exchange for common stock representing a 43.6% equity interest in TV Guide, Inc. and net cash of US$671 million. In fiscal 1998, News Corporation acquired Heritage Media Group for aggregate consideration of approximately US$1.4 billion.

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Exchange Rates

The following table sets forth, for the periods indicated, information concerning the Noon Buying Rates in New York City for Australian dollars, expressed as US$ per A$1.00.

Month	High	Low
June 2002	0.5748	0.5583
July 2002	0.5688	0.5370
August 2002	0.5534	0.5280
September 2002	0.5518	0.5419
October 2002	0.5550	0.5422
November 2002	0.5660	0.5528

Fiscal Year Ended June 30,	Average*
1998	.6773
1999	.6246
2000	.6256
2001	.5320
2002	0.5240
2003 (through November 30, 2002)	0.5504

* The average rate is calculated by using the average of the Noon Buying Rates on the last day of each month during the relevant period.

On November 29, 2002, the Noon Buying Rate was $0.5601 per A$1.00.

Special Note Regarding Forward Looking Statements

This document contains statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. The words expect, estimate, anticipate, predict, believe an similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of The News Corporation Limited (News Corporation), its directors or its officers with respect to, among other things, trends affecting News Corporation s financial condition or results of operations. These forward-looking statements are subject to risks, uncertainties and assumptions about News Corporation News Corporation and its businesses and are not guarantees of performance. These risks and uncertainties are described below and elsewhere in this document. News Corporation does not ordinarily make projections of its future operating results and undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review the other documents filed by News Corporation and its subsidiaries with the Securities and Exchange Commission.

Risk Factors

News Corporation s business, financial condition or results of operations could be materially adversely affected by any or all of the following risk factors.

A decline in advertising expenditures could cause News Corporation s revenues and operating results to decline significantly in any given period or in specific markets.

News Corporation derives substantial revenues from the sale of advertising on its television stations, broadcast and cable networks and direct-to-home (DTH) television services and in its newspapers and inserts. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers spending priorities. This could cause News Corporation s revenues and operating results to decline significantly in any given period or in specific markets.

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Acceptance of our film and television programming by the public is difficult to predict, which could lead to fluctuations in revenues.

Feature film and television production and distribution are speculative businesses since the revenues derived from the production and distribution of a feature film or television series depend primarily upon its acceptance by the public, which is difficult to predict. The commercial success of a feature film or television series also depends upon the quality and acceptance of other competing films and television series released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which can change and cannot be predicted with certainty. Further, the theatrical success of a feature film and the audience ratings for a television series are generally key factors in generating revenues from other distribution channels, such as home video and premium pay television with respect to feature films and syndication with respect to television series.

Changes in U.S. or foreign communications laws and other regulations may have an adverse effect on News Corporation s business.

In general, the television broadcasting and cable industries in the U.S. are highly regulated by federal laws and regulations issued and administered by various federal agencies, including the Federal Communications Commission (the FCC). The FCC generally regulates, among other things, the ownership of media, including ownership by non-U.S. citizens, broadcast programming and technical operations. Further, the U.S. Congress and the FCC currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters, including technological changes, which could, directly or indirectly, affect the operations and ownership of News Corporation s U.S. broadcast properties. Similarly, changes in regulations imposed by governments in other jurisdictions in which News Corporation, or entities in which News Corporation has an interest, operate could adversely affect News Corporation s business and results of operations.

News Corporation is controlled by one principal shareholder.

Approximately 30% of the Ordinary Shares of News Corporation are owned by (i) K. Rupert Murdoch, (ii) Cruden Investments Pty. Limited, a private Australian investment company owned by Mr. Murdoch, members of his family and various corporations and trusts, the beneficiaries of which include Mr. Murdoch, members of his family and certain charities, and (iii) corporations, which are controlled by trustees of settlements and trusts set up for the benefit of the Murdoch family, certain charities and other persons. By virtue of the shares of News Corporation owned by such persons and entities, and Mr. Murdoch s positions as Chairman and Chief Executive of News Corporation, Mr. Murdoch may be deemed to control the operations of News Corporation.

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ITEM 4. INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT OF THE COMPANY

Introduction

The News Corporation Limited is a diversified international communications company principally engaged in the production and distribution of motion pictures and television programming; television, satellite and cable broadcasting; the publication of newspapers, magazines and books; the production and distribution of promotional and advertising products and services; the development and distribution of conditional access systems, interactive television applications and broadcast control software systems; and the creation and distribution of on-line programming. The activities of News Corporation are conducted principally in the United States (U.S.), the United Kingdom (U.K.) and Australia and the Pacific Basin (Australasia). News Corporation has also entered into joint ventures to provide direct-to-home (DTH) television services in Italy and Latin America.

News Corporation is a holding company which conducts all of its activities through subsidiaries and affiliates. It traces its origin to 1922, when News Limited was incorporated, and in 1923 began to publish a daily newspaper in the city of Adelaide, Australia. In 1979, News Corporation, as presently organized, was incorporated under the Companies Act 1961 of South Australia, Australia. The Australian Company Number of News Corporation is 007 910 330. Unless otherwise indicated, references herein to News Corporation include its subsidiaries, its affiliates and their subsidiaries, and their respective predecessors.

News Corporation s subsidiaries Fox Entertainment Group, Inc. and NDS Group plc (NDS), and certain of the companies in which News Corporation owns equity interests, including British Sky Broadcasting Group plc (BSkyB) and Gemstar-TV Guide International, Inc. (Gemstar-TV Guide), are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the Securities and Exchange Commission (SEC).

The descriptions of News Corporation s businesses which appear in this Item 4 are provided as of November 30, 2002, unless otherwise indicated. Additional information about the general development of News Corporation s businesses, including information concerning principal capital expenditures and divestitures, is set forth in Item 5: Operating and Financial Review and Prospects and in Notes 2, 5, 14, 16, 17 and 24 to the Consolidated Financial Statements of The News Corporation Limited and Subsidiaries.

News Corporation maintains a 52-53 week fiscal year ending on the Sunday nearest to June 30 in each year. As set forth herein, references to fiscal years are to the fiscal years of News Corporation ending in June or July, as appropriate, in each such year. References herein to Ordinary Shares and Preferred Shares are, respectively, to News Corporation s ordinary shares and preferred limited voting ordinary shares. References to years (e.g., 2002) are to calendar years, unless otherwise indicated. References herein to $ or US$, A$, and £ are, respectively, to U.S. dollars, Australian dollars and U.K. pounds sterling. For information with respect to exchange rates, see Item 3: Key Information Selected Financial Data.

During fiscal 2002, News Corporation operated primarily in seven industry segments: (i) filmed entertainment; (ii) television; (iii) cable network programming; (iv) magazines and inserts; (v) newspapers; (vi) book publishing; and (vii) other. See Note 17 to the Consolidated Financial Statements of The News Corporation Limited and Subsidiaries for financial information in Australian dollars by industry segment and by geographical area for each of the last three fiscal years with respect to News Corporation and its subsidiaries which are consolidated for financial statement purposes.

News Corporation s principal executive offices are located at 2 Holt Street, Sydney, New South Wales 2010, Australia. The telephone number is 61 2 9288 3000. News Corporation s U.S. headquarters are located at 1211 Avenue of the Americas, New York, New York 10036.

BUSINESS OVERVIEW

United States Operations

News America Incorporated (News America), the principal U.S. subsidiary of News Corporation, is an operating company and holding company which, together with its subsidiaries and affiliates, conducts substantially all U.S. activities of News Corporation.

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News America s subsidiary, Fox Entertainment Group, Inc. (together with its subsidiaries, FEG), is principally engaged in the development, production and worldwide distribution of feature films and television programs, television broadcasting and cable network programming. As of November 30, 2002, News Corporation owned approximately 80.6% of the equity and 97.0% of the voting power of FEG. FEG s Class A Common Stock is listed on the New York Stock Exchange under the symbol FOX .

Filmed Entertainment

FEG engages in feature film and television production and distribution principally through the following businesses: Fox Filmed Entertainment (FFE), a producer and distributor of feature films; Twentieth Century Fox Television (TCFTV), a producer of network television programming; Twentieth Television, a producer and distributor of television programming; and Fox Television Studios (FtvS), a producer of broadcast and cable programming.

Feature Film Production and Distribution

One of the world s largest producers and distributors of motion pictures, FFE produces, acquires and distributes motion pictures throughout the world under a variety of arrangements. During fiscal 2000, 2001 and 2002, FFE placed 20, 20 and 22 films, respectively, in general release in the U.S. Those motion pictures were produced or acquired by the following units of FFE: Twentieth Century Fox and Fox 2000, which produce motion pictures for mainstream audiences; Fox Searchlight Pictures, which produces and acquires specialized motion pictures; and Twentieth Century Fox Animation, which produces feature length animated motion pictures. Successful motion pictures produced and/or distributed by FFE in the U.S. and international territories since the beginning of fiscal 2000 include *Big Momma s House, Me, Myself & Irene, X-Men, Cast Away* (together with DreamWorks SKG), *Moulin Rouge, Dr. Doolittle 2, Ice Age, Planet of the Apes, Star Wars Episode II: Attack of the Clones, Minority Report* (together with DreamWorks SKG), and *Road to Perdition* (together with DreamWorks SKG). FEG currently plans to release approximately 25 films in the U.S. in fiscal 2003, including *X-Men 2, League of Extraordinary Gentlemen, Solaris* and *Dare Devil.*

Motion picture companies, such as FFE, typically seek to generate revenues from various distribution channels. FFE derives its worldwide motion picture revenues primarily from four basic sources (set forth in general chronology of exploitation): (i) distribution of motion pictures for theatrical exhibition in the U.S. and Canada and markets outside of the U.S. and Canada (International markets); (ii) distribution of motion pictures in various home media formats; (iii) distribution of motion pictures for exhibition on pay-per-view and premium pay television programming services; and (iv) distribution of motion pictures for exhibition on free television networks, other broadcast program services, independent television stations and basic cable programming services, including certain services which are affiliates of FEG and News Corporation. FEG does not always have rights in all media of exhibition to all motion pictures which it releases, and does not necessarily distribute a given motion picture in all of the foregoing media in all markets.

FEG distributes and markets its films worldwide principally through its own distribution and marketing companies. FEG believes that the pre-release marketing of a feature film is an integral part of its motion picture distribution strategy and generally begins marketing efforts three to six months in advance of a film s release date in any given territory.

Through Twentieth Century Fox Home Entertainment, Inc., FEG distributes motion pictures and other programming produced by units of FFE, its affiliates and other producers in the U.S., Canada and International markets in all home media formats, including the sale and rental of videocassettes and DVDs. In fiscal 2002, the domestic home entertainment division released or re-released over 100 produced and acquired titles, including approximately 80 titles in DVD format. In International markets, FEG distributes produced and acquired titles both directly and through foreign distribution channels, with approximately 400 releases in fiscal 2002, including 30 new FFE releases, nearly 200 catalog titles and approximately 100 television and other non-theatrical releases. In addition, FEG has an agreement with Metro-Goldwyn-Mayer (MGM) to distribute its video product in most International markets in return for certain fees. FEG released over 200 MGM Home Entertainment theatrical, catalog and television programs Internationally in fiscal 2002.

Units of FFE license motion pictures and other programs in the U.S., Canada and International markets to various third parties and certain affiliated subscription pay television services and pay-per-view services. The license agreements reflecting the subscription pay television arrangements generally provide for a specified number of exhibitions of the program during a fixed term in exchange for a license fee which is based on a variety of factors, including the box office performance of each program and the number of subscribers to the service or system. The license agreements reflecting the pay-per-view arrangements generally provide for a minimum number of scheduled exhibitions of the program during a fixed term, for a license fee based on a percentage of the licenssee s gross receipts from the pay-per-view exhibition of the

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program and, in some cases, a guaranteed minimum fee. Among third-party license agreements that units of FFE have in place in the U.S. for subscription pay television exhibition of its motion pictures are exclusive agreements with Home Box Office (HBO), providing for the licensing of films initially released for theatrical exhibition through the year 2009, as well as arrangements with Encore and American Movie Classics. Units of FFE also license motion pictures in the U.S. to direct broadcast satellite (DBS) pay-per-view services operated by DIRECTV, Inc. and EchoStar Communications Corporation, as well as cable pay-per-view and video-on-demand services such as In Demand. In addition, in International markets, units of FFE license motion pictures to leading third-party pay television services and pay-per-view services as well as to programming services operated by various affiliated entities.

In addition, pursuant to an agreement that became effective in May 1998 with Monarchy Enterprises Holdings B.V. (MEH), the parent company of Regency Entertainment (USA), Inc. (New Regency), FFE will distribute certain New Regency films and all films co-financed by FEG and New Regency produced over a 15-year term in all media worldwide, excluding certain international territories with respect to theatrical and home video rights and most international territories with respect to television rights. Among its 2003 releases, FEG currently expects to release two New Regency films, both of which were co-financed by FEG and New Regency. FEG has also acquired a 20% interest in MEH. The parties also agreed to enter into certain motion picture financing arrangements and have formed Regency Television, a 50/50 joint venture to produce television programming through a partnership with FtvS.

Due to increased competition and costs associated with film production, film studios and FEG constantly evaluate the risks and rewards of production. Various strategies are used to balance risk with capital needs, including, among other methods, co-production, contingent profit participations, acquisition of distribution rights only and insurance. In March 2001, FEG entered into a new series of film rights agreements whereby a controlled consolidated subsidiary of FEG, Cornwall Venture LLC (NM2), that holds certain library film rights, funds the production or acquisition costs of all eligible films, as defined, to be produced or acquired by Twentieth Century Fox Film Corporation (TCF), a subsidiary of FEG, between 2001 and 2004 (these film rights agreements are collectively referred to as the, New Millennium II Agreement). NM2 is a separate legal entity from FEG and TCF and has separate assets and liabilities. NM2 issued a preferred limited liability membership interest (Preferred Interest) to a third party to fund the film financing, which is presented on the consolidated Statement of Financial Position as outside equity interests in controlled entities. The Preferred Interest has no fixed redemption rights but is entitled to an allocation of the gross receipts to be derived by NM2 from the distribution of each eligible film. This allocation, to the extent available based on the gross receipts from the distribution of the eligible films consists of (i) a return on the Preferred Interest (the Preferred Payments), based on certain reference rates (generally based on commercial paper rates or LIBOR) prevailing on the respective dates of determination, and (ii) a redemption of the Preferred Interest, based on a contractually determined amortization schedule. The Preferred Interest has a preference in the event of a liquidation of NM2 equal to the unredeemed portion of the investment plus any accrued and unpaid Preferred Payments. As of June 30, 2002, there was $850 million of Preferred Interests outstanding, which is included in the Statement of Financial Position as outside equity interests in controlled entities. For more detail regarding this agreement, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources.

Motion picture production and distribution are highly competitive businesses. FEG competes with other film studios, independent production companies and other entities for the acquisition of artistic properties, the services of creative and technical personnel, exhibition outlets and the public s interest in its products. The number of films released by FEG s competitors, particularly the other major film studios, in any given period may create an oversupply of product in the market that may reduce FEG s share of gross box office admissions and may make it more difficult for FEG s films to succeed. The commercial success of the motion pictures produced and/or distributed by FEG is substantially affected by the public s often unpredictable response to the motion pictures produced and distributed by it. In addition, television networks are now producing more programs internally and thus may reduce their demand for programming from other parties.

Competitive risks affecting FEG s home entertainment business include competition among home video formats (e.g., DVD) and with other methods of distribution, such as video-on-demand, as well as risks associated with controlling copying and unauthorized distribution of FEG s programs.

Television Programming, Production and Distribution

Twentieth Century Fox Television. During the past three fiscal years, TCFTV produced television programs for the FOX, ABC, CBS, NBC, UPN and WB broadcast television networks. TCFTV currently produces or has orders to produce episodes of the following network television series: *The Practice* for ABC; *Charlie Lawrence*, *Judging Amy*, *Still Standing* and *Yes*, *Dear* (each co-produced with CBS Worldwide, Inc.) for CBS; *24*, *Andy Richter Controls the Universe* (a co-production with Paramount Pictures Corporation), *The Bernie Mac Show* (a co-production with FtvS), *Boston Public*, *Cedric the Entertainer Presents*, *Futurama*, *King of the Hill*, *Oliver Beene* (a co-production with Dreamworks SKG), *The Pitts*, *Septuplets*, and *The*

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Simpsons for FOX; *Buffy the Vampire Slayer* for UPN; and *Angel* and *Reba* for WB. Generally, a network will license a specified number of episodes for exhibition on the network during the license period. All other distribution rights, including International and off-network syndication rights, are typically retained by TCFTV.

Generally, television programs are produced under contracts that provide for license fees which may cover only a portion of the anticipated production costs. As these costs have increased in recent years, the resulting deficit between production costs and license fees for domestic first-run programming has also increased. Successful network television series are licensed for (i) first-run exhibition in International and Canadian markets, (ii) off-network exhibition in the U.S. (including in syndication or to cable programmers) and (iii) syndication in International markets. Such additional licensing is often critical to the financial success of a series since the license fee paid by a network generally does not fully recover production costs. Generally, a series must be broadcast for at least three to four television seasons for there to be a sufficient number of episodes to offer the series in syndication in the U.S. or to cable and DBS programmers in the U.S.. The decision of a television network to continue a series through an entire television season or to renew a series for another television season depends largely on the series audience ratings.

Twentieth Television. Twentieth Television licenses off-network television programming produced by FEG; develops and produces original reality and first-run television programming for the stations owned and operated by Fox Television Stations, Inc., national syndication, FOX and basic cable networks; and sells national advertising units retained by Twentieth Television in off-network and first-run syndicated television programming. Twentieth Television derives revenue from its licensing of off-network and first-run television programming in the form of license fees paid by licensees and the sale of national advertising units retained by Twentieth Television in the programs.

Fox Television Studios. FtvS is a program supplier to the major U.S. broadcast and cable networks as well as a growing number of emerging and international networks. FtvS produces or has orders to produce several U.S. broadcast and cable series including *Malcom in the Middle* (through Regency Television, a co-venture with New Regency Enterprises), *John Doe* and *The Bernie Mac Show* (co-production with TCFTV) for FOX; *The Shield* (produced in association with Columbia TriStar Domestic Television) and *Son of the Beach* for FX Networks and *American Family* for PBS. It also has or will produce a variety of made for television movies and miniseries. Its non-fictional shows include A&E s *Biography,* and its international productions include 12 separate versions of *Temptation Island.* FtvS also produces a variety of game shows and talk series, specials and other forms of programming for top U.S. and international telecasters.

Production and distribution of television programming is extremely competitive. Similar to motion picture production and distribution, FEG competes with other film studios, independent production companies and other entities for the acquisition of artistic properties, the services of creative and technical personnel, exhibition outlets and the public s interest. In addition, television networks are now producing more programs internally and thus may reduce such networks demand for programming from other parties.

Motion Picture and Television Programming Libraries

FEG s motion picture and television library (the Fox Library) consists of varying rights to over 3,250 previously released films, of which almost 350 have been released since 1980, and many well-known television series. The motion pictures in the Fox Library include many successful and well-known titles, such as *The Sound of Music* and *Miracle on 34th Street*, and eight of the top 16 domestic box office grossing films of all time, which are *Titanic* (together with Paramount Pictures Corporation), *Star Wars Episode I: The Phantom Menace, Independence Day, Star Wars*, *Return of the Jedi, The Empire Strikes Back, Home Alone and Star Wars Episode II: Attack of the Clones.* FEG earns significant revenues through the licensing of titles in the Fox Library in many media, including television and home entertainment formats, and through licensing and merchandising of films and characters in films.

In addition, the Fox Library contains varying rights to certain television series and made-for-television motion pictures. The television library contains such classic series as *Batman*, *The Mary Tyler Moore Show*, *M*A*S*H, Hill Street Blues, Doogie Howser, M.D., L.A. Law, The Wonder Years, Picket Fences, Room 222, Trapper John, M.D., Daniel Boone* and *The X-Files*, as well as such current hits as *The Simpsons, NYPD Blue, The Practice, King of the Hill, Buffy the Vampire Slayer, Judging Amy* (together with CBS Worldwide, Inc.), *Malcom in the Middle*, *The Bernie Mac Show*, *24* and *The Shield*.

Television

News Corporation is engaged in the distribution of network and cable television programming and the operation of broadcast television stations.

Fox Television Stations

Fox Television Stations currently owns and operates 35 full power stations (the Fox Television Stations), including stations located in nine of the top 10 largest designated market areas (DMAs). Fox Televsion Stations owns and operates two stations in each of nine DMAs, including New York, Los Angeles, and Chicago, which are the first, second, and third largest DMAs, respectively.

Fox Television Stations owns and operates stations that are affiliated with the United Paramount Network (UPN) in nine markets, including four of the top 10 DMAs. The affiliation agreements with UPN generally extend through at least the 2003-04 season and may be extended at the option of the stations through the 2005-06 season. UPN provides approximately 25 hours of programming a week, including two-hour prime time programming blocks five nights a week, to its affiliates. The remaining stations owned by Fox Television Stations are affiliates of Fox Broadcasting Company (FOX). For a description of FOX programming, see Television Broadcast Network.

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The following table lists certain information as of August 2002 about each Fox Television Station. Unless otherwise noted, all stations are primary affiliates of FOX.

DMA/RANK		STATION	CHANNEL/TYPE		PERCENTAGE OF U.S. TELEVISION HOUSEHOLDS REACHED(1)
New York, NY	1	WNYW	5	VHF	6.9%
		WWOR(2)	9	VHF	
Los Angeles, CA	2	KTTV	11	VHF	5.0%
		KCOP(2)	13	VHF	
Chicago, IL	3	WFLD	32	UHF	3.2%
		WPWR(2)	50	UHF	
Philadelphia, PA	4	WTXF	29	UHF	2.7%
Boston, MA	6	WFXT	25	UHF	2.3%
Dallas, TX	7	KDFW	4	VHF	2.1%
		KDFI(3)	27	UHF	
Washington, DC	8	WTTG	5	VHF	2.0%
		WDCA(2)	20	UHF	
Atlanta, GA	9	WAGA	5	VHF	1.9%
Detroit, MI	10	WJBK	2	VHF	1.8%
Houston, TX	11	KRIV	26	UHF	1.7%
		KTXH(2)	20	UHF	
Tampa, FL	13	WTVT	13	VHF	1.5%
Minneapolis, MN	14	KMSP	9	VHF	1.5%
		WFTC(2)	29	UHF	
Cleveland, OH	15	WJW	8	VHF	1.4%
Phoenix, AZ	16	KUTP(2)	45	UHF	1.5%
		KSAZ	10	VHF	
Denver, CO(4)	18	KDVR	31	UHF	1.3%
Orlando, FL	20	WOFL	35	UHF	1.1%
		WRBW(2)	65		
St. Louis, MO	22	KTVI	2	VHF	1.1%
Baltimore, MD	24	WUTB(2)	24	UHF	1.0%
Milwaukee, WI	31	WITI	6	VHF	0.8%
Kansas City, MO	33	WDAF	4	VHF	0.8%
Salt Lake City, UT	36	KSTU	13	VHF	0.7%
Birmingham, AL	40	WBRC	6	VHF	0.6%
Memphis, TN	43	WHBQ	13	VHF	0.6%
Greensboro, NC	46	WGHP	8	VHF	0.6%
Austin, TX(5)	54	KTBC	7	VHF	0.5%
Gainesville, FL	165	WOGX	51	UHF	0.1%
Total:					44.7%

Source: Nielsen Media Research, August 2002

(1) VHF stations transmit on Channels 2 through 13 and UHF stations on Channels 14 through 69. UHF television stations in many cases have a weaker signal and therefore do not achieve the same coverage as VHF stations. To address this disparity, the FCC ownership rule applies a UHF discount (the UHF Discount) which attributes only 50% of the television households in a local television market to the audience reach of a UHF station for purposes of calculating whether that station s owner complies with the 35% national audience reach cap imposed by FCC regulations. In addition, the coverage of two commonly owned stations in the same market is only counted once. Under these rules, Fox Television Stations reaches 37.8% of U.S. households. The percentages listed above are rounded and do not take into account the UHF Discount.

(2) UPN affiliate.

(3) Independent station and secondary FOX affiliate, carrying Fox children s programming.

(4) FEG also owns and operates KFCT, Channel 22, Fort Collins, CO, as a satellite station of KDVR, Channel 31, Denver, CO.

(5)

FEG also owns and operates K13VC, Channel 13, Austin, TX, an LPTV (low power television) station. K13VC is an independent station and secondary FOX affiliate, carrying Fox children s programming.

In July 2001, News Corporation completed its acquisitions of Chris-Craft Industries, Inc. and its subsidiaries, BHC Communications, Inc. and United Television, Inc., (together, Chris-Craft) for $2 billion in cash and American Depositary Receipts (ADRs) then representing approximately $2 billion in News Corporation preferred limited voting ordinary shares. As part of this acquisition, News Corporation transferred all of the assets and liabilities of Chris-Craft, except for cash and certain non-television related assets and liabilities to FEG, in exchange for approximately 122 million shares of its Class A Common Stock. Simultaneously with the receipt of these assets and liabilities, FEG transferred title to the FCC licenses of the 10 newly acquired television stations to Fox Television Stations.

In October 2001, Fox Television Stations exchanged two television stations, KTVX (ABC) in Salt Lake City and KMOL (NBC) in San Antonio, with Clear Channel Communications, Inc. for television station WFTC (FOX) in Minneapolis. In addition, in November 2001, Fox Television Stations exchanged television station KBHK (UPN) in San Francisco with Viacom Inc. for WDCA (UPN) in Washington, D.C. and KTXH (UPN) in Houston. On June 17, 2002, Fox Television Stations exchanged KPTV (UPN) in Portland for Meredith Corporation s WOFL (FOX) in Orlando and WOGX (FOX) in the Gainesville DMA. Also, on August 21, 2002, Fox Television Stations acquired WPWR (UPN), in the Chicago DMA, from Newsweb Corporation for $425 million in cash.

Regulatory approval of the Chris-Craft acquisition required FEG to divest sufficient stations to come into compliance with the FCC s national station ownership cap. To comply with this requirement, Fox Television Stations is required to file with the FCC the license assignment applications necessary to come into compliance with the cap prior to August 7, 2003, unless there is further judicial review, or the FCC modifies the national station ownership cap. For more detail regarding the FCC s national ownership cap, see Government Regulation United States Television. Each of the Clear Channel, Viacom and Meredith transactions reduced the national audience reach of Fox Television Stations and, therefore, assisted FEG in complying with the FCC s national station ownership cap.

The Fox Television Stations derive substantially all of their revenues from national spot and local advertising. Advertising rates are determined by each Fox Television Station based on market conditions in the area which it serves. In addition to cash sales, the Fox Television Stations enter into customary barter agreements with syndicators, pursuant to which the Fox Television Stations acquire programming and the rights to sell a specified amount of advertising time for use in national spot and local advertising markets in exchange for allowing the syndicator to retain a specified amount of advertising time for sale in the national advertising market in lieu of cash consideration.

Each of the Fox Television Stations competes in its market area for audiences and advertising revenues with radio and television stations and cable systems as well as with other advertising media such as newspapers, magazines, outdoor advertising, direct mail and Internet websites. All of the Fox Television Stations are located in highly competitive markets. Competition for sales of broadcast advertising time is based primarily on the anticipated and actually delivered size and demographic characteristics of audiences as determined by various rating services, price, the time of day when the advertising is to be broadcast, competition from the other broadcast networks, cable television systems, DBS services and other media and general economic conditions. Competition for audiences is based primarily on the selection of programming, the acceptance of which is dependent on the reaction of the viewing public, which is often difficult to predict. (See also the competitive factors discussed under Television Fox Broadcasting Company.) Additional elements which are material to the competitive position of television stations include management experience, authorized power and assigned frequency.

Fox Broadcasting Company (FOX)

FOX has 188 affiliated stations, including 25 full power television stations that are owned by subsidiaries of FEG. The stations reach, along with Fox Net, a FEG-owned cable service that reaches areas not served by an over-the-air-FOX affiliate, approximately 98% of all U.S. television households. In general, each week FOX regularly delivers to its affiliates 15 hours of prime time programming, one hour of late-night programming on Saturday and one hour of Sunday morning news programming. FOX s prime time programming features such series as *The Simpsons*, *King of the Hill*, *That 70 s Show*, *Malcolm in the Middle*, *Boston Public*, *24*, and *The Bernie Mac Show* and various movies and specials. In addition, a significant component of FOX s programming consists of sports programming, with FOX providing to its affiliates live coverage (including post-season) of the National Football Conference of the National Football League (NFL) and Major League Baseball (MLB) and live coverage of the premiere racing series (the Winston Cup and the Busch series) of the National Association of Stock Car Auto Racing (NASCAR). In January 2002, FOX entered into an agreement allowing 4Kids Entertainment, a children s entertainment company, to program a four hour block of children s programming on Saturday mornings, starting in the 2002-2003 broadcast season and continuing for four years, with an option exercisable by 4Kids for a two-year extension. This replaces the children s programming which had been provided by Fox Family Worldwide, Inc., a former affiliate of FEG.

FOX derives its revenues from sales of commercial advertising time in the national advertising marketplace. FOX s programming line-up is intended to appeal primarily to target audiences of 18 to 49-year old adults, the demographic group that advertisers seek to reach most often. During the 2001-2002 broadcast season, FOX ranked second in prime time programming based on viewership of adults aged 18-49 (NBC had a 5.3 rating and 14 share, FOX had a 4.0 rating and 11 share, CBS had a 3.9 rating and 10 share and ABC had a 3.6 rating and 10 share). The median age of the FOX viewer is 35 years, as compared to 45 years for NBC, 45 years for ABC and 51 years for CBS.

FEG obtains programming for FOX from major television studios and independent television production companies pursuant to license agreements. The terms of such agreements generally provide FEG with the right to broadcast a television series for a minimum of four seasons. FOX licenses its film programming from major film studios and independent film production companies and licenses made-for-television films from a number of sources. National sports programming, such as NFL, MLB and NASCAR programming, is obtained under license agreements with professional sports leagues or organizations. FEG s current licenses with the NFL, MLB, and NASCAR extend through the 2005-2006 NFL season, the 2006 MLB season, and the 2008 NASCAR season, respectively, assuming no early terminations.

FOX provides programming to its television station affiliates in accordance with affiliation agreements of varying durations. These agreements grant to each affiliate the right to broadcast network television programming on the affiliated station. Such agreements typically run three or more years and have staggered expiration dates. These affiliation agreements generally require FOX s full-time television station affiliates to carry FOX programming in all time periods in which FOX programming is offered to such affiliates, subject to certain exceptions stated in these agreements. In 1999, FOX entered into an arrangement with most of its television station affiliates relating to the amount of commercial advertising time in FOX programming that FOX provided to each affiliate for the affiliate to sell to advertisers (local commercial advertising time). This arrangement expired in June 2002. New agreements, under which affiliates will continue to pay FOX for additional local commercial advertising time, are currently being negotiated, with agreements with most of the affiliates already completed.

The network television broadcasting business is highly competitive. FOX directly competes for programming and for viewers with the ABC, NBC, CBS, WB and UPN networks. ABC, NBC and CBS each broadcasts a significantly greater number of hours of programming than FOX, and accordingly, may be able to designate or change time periods in which programming is to be broadcast with greater flexibility than FOX. FOX also competes for viewers with other non-network sources of television service, including cable television and DBS services, as well as home video exhibition, the Internet and home computer usage. Competition for audiences is based primarily on the selection of programming, the acceptance of which is dependent on the reaction of the viewing public which is often difficult to predict.

FOX also competes for advertising revenues with other broadcast networks. Each of ABC, NBC and CBS has a greater number of affiliates with VHF signals, which are generally considered to have greater reach in their markets than UHF signals and, therefore are more appealing to advertisers. In addition, each of the Fox Television Stations competes for advertising revenues with radio and television stations and cable systems in its market area and with other advertising media such as newspapers, magazines, outdoor advertising, direct mail and Internet websites. All of the Fox Television Stations are located in highly competitive markets. Competition for sales of broadcast advertising time is based primarily on the anticipated and actually delivered size and demographic characteristics of audiences as determined by various rating services, price, the time of day when the advertising is to be broadcast, competition from the other broadcast networks, cable television systems, DBS services and other media and general economic conditions.

Cable Network Programming

FEG holds interests in cable network programming businesses in the areas of news, sports, general entertainment and movies. The Fox Cable Networks Group includes all of FEG s cable network programming businesses other than the Fox News Channel.

The cable network programming business is highly competitive. Cable programming services compete for distribution and, when distribution is obtained, compete for viewers and advertisers with over-the-air broadcast television, radio, print media, motion picture theaters, videocassettes, DVDs and other sources of information and entertainment. Important competitive factors include the prices charged for programming, the quantity, quality and variety of programming offered and the effectiveness of marketing efforts.

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Fox News Channel (Fox News)

Fox News is a 24-hour all news cable channel which is currently available to approximately 80 million U.S. cable and DBS households.

Fox News also produces a weekend political commentary show, *Fox News Sunday*, for broadcast on FOX. Fox News, through its Fox News Edge service, licenses news feeds to FOX affiliates and other subscribers to use as part of local news broadcasts.

Fox News Channel s primary competition comes from cable networks CNN, MSNBC, CNBC and Headline News. Fox News also competes for viewers and advertisers within a broad spectrum of television networks, including other cable networks and over-the-air broadcast television.

Fox Sports Networks

Fox Sports Networks operates two principal business units: (i) sports programming operations and (ii) FX Networks, a general entertainment network (FX).

Sports programming operations. Fox Sports Net, Inc. (FSN) is the largest regional sports network (RSN) programmer in the U.S., focusing on live professional and major collegiate home team sports events. FSN s sports programming business consists primarily of ownership interests in 21 RSNs (the Fox Sports RSNs) and National Sports Partners, a 50/50 partnership between FSN and Rainbow Media Sports Holdings, Inc. (Rainbow), an indirect subsidiary of Cablevision Systems Corporation (Cablevision), which operates Fox Sports Net, a national sports programming service. Fox Sports Net provides its affiliated RSNs with 24-hour national sports programming featuring original and licensed sports-related programming and live and replay sporting events.

FSN owns an equity interest in, or through Fox Sports Net is affiliated with, 24 RSNs. These RSNs reach approximately 73 million U.S. cable and DBS households and, together with FSN, have rights to telecast live games of 70 professional sports teams in the MLB, National Basketball Association (NBA), and National Hockey League (NHL) (out of a total of 80 such teams in the U.S. and numerous collegiate conferences and sports teams. FSN s strategy is to utilize its RSNs and Fox Sports Net to build a national cable sports network under the Fox brand name.

FSN owns a 40% interest in Regional Programming Partners (RPP), a partnership with Rainbow which owns various interests in RSNs (including two in which FSN owns 50% interests), the New York Knickerbockers NBA franchise, the New York Rangers NHL franchise, the Madison Square Garden entertainment complex and Radio City Music Hall. For discussion of purchase and sale rights related to the investment in RPP, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources.

In January 2002, FEG acquired an approximate 23.3% interest in the Sunshine Network, an RSN serving Florida, (Sunshine) for approximately $23.3 million, increasing FEG s ownership interest in Sunshine to approximately 83.3%. In February 2002, FEG acquired an additional approximate 0.4% interest in Sunshine, increasing FEG s ownership interest in Sunshine to approximately 83.7%.

A number of basic and pay television programming services (such as ESPN) as well as free over-the-air stations and broadcast networks provide programming that targets the Fox Sports RSNs audience. Fox Sports Net is currently the only programming service distributing a full range of sports programming on both a national and regional level. On a national level, Fox Sports Net s primary competitor is ESPN and, to a lesser extent, ESPN2. In regional markets, FEG s RSNs compete with other RSNs, including those operated by team owners and other sports programming providers and distributors. In addition, the Fox Sports RSNs and Fox Sports Net compete, for sports programming rights. The Fox Sports RSNs compete for local and regional rights with local broadcast television stations, other local and regional sports networks and the owners of distribution outlets such as cable television systems. Fox Sports Net competes for national rights principally with the national broadcast television networks, a number of national cable services that specialize in or carry sports programming, television superstations, which distribute sports and other programming to cable television systems by satellite, and with independent syndicators that acquire and resell such rights nationally, regionally and locally. The owners of distribution outlets such as cable television systems may also contract directly with the sports teams in their service area for the right to distribute a number of such teams games on their systems. The owners of teams may also launch their own regional sports network and contract with cable television systems for carriage. In certain markets, the owners of distribution outlets, such as cable television systems, also own one or more of the professional teams in the region, increasing their ability to launch competing networks and thereby limiting the professional sports rights available for acquisition by FEG s RSNs.

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FX Networks. Launched in 1994, FX currently reaches approximately 78 million U.S. cable and DBS households. FX is a general entertainment network that combines original programming with acquired television series and feature films. In addition, FX carries sports programming with live coverage of certain NASCAR events. FX s line-up for the Fall 2002 season included the following syndicated hits from TCFTV: *Ally McBeal*, *The Practice*, and *Buffy the Vampire Slayer*, and original programming, including the Emmy nominated drama, *The Shield*; a new half-hour comedy, *Lucky*; *Son of the Beach*; and the *Toughman World Championship* series.

A number of basic and pay television programming services (such as the USA Network and Turner Network Television) as well as free over-the-air broadcast networks that provide programming that targets the same viewing audience as FX. FX also faces competition in the acquisition of distribution rights to programming.

Fox Cable Network Ventures

In July 2001, as a result of the exercise of rights by existing shareholders, FEG acquired 53.44% of Speedvision Network LLC, relaunched as Speed Channel in January 2002, for approximately $401 million, increasing FEG s ownership in Speed Channel to approximately 85.46%. In October 2001, FEG acquired the remaining 14.54% minority interest in Speed Channel for approximately $111 million. Speed Channel focuses exclusively on the world of racing, including cars, motorcycles, airplanes and boats. It currently reaches approximately 52.5 million U.S. cable and DBS households.

In July 2001, as a result of the exercise of rights by existing shareholders, FEG acquired 50.23% of Outdoor Life Network LLC for approximately $309 million. The acquisition resulted in FEG owning approximately 83.18% of Outdoor Life. In October 2001, Comcast, a shareholder of Outdoor Life, acquired FEG s entire ownership interest in Outdoor Life for approximately $512 million in cash.

Fox Cable Network Ventures owns a 40% interest in an entity that owns and operates the Staples Center, a sports and entertainment complex in downtown Los Angeles, California. The Staples Center is the home of the Los Angeles Kings NHL franchise and the Los Angeles Lakers and the Los Angeles Clippers NBA franchises.

Fox Sports International

In July 2001, Liberty Media Corporation (Liberty) exercised its right, under a pre-existing option, to cause its subsidiary to sell its 50% interest in International Sports Programming Partners (Fox Sports International) to News Corporation in exchange for 3,673,183 ADRs (representing approximately 14,692,732 preferred limited voting ordinary shares) of News Corporation. Under the terms of this transaction, in December 2001, News Corporation transferred the acquired interest in Fox Sports International to FEG for 3,632,269 shares of FEG Class A Common Stock.

Fox Sports International holds an interest in Fox Sports World, a U.S. English language programming service devoted to international sports, such as soccer, rugby and cricket, which is available to approximately 14.9 million cable and DBS subscribers, and Fox Sports World-Middle East an English language sports network which airs in the Middle East.

In February 2002, FEG entered into a joint venture with Liberty and Hicks, Muse, Tate & Furst Incorporated primarily for the purpose of developing and operating Spanish language television services in the U.S., Canada, Spain and Latin America that are comprised predominantly of sports programming. In exchange for an approximately 38% interest in a new entity called Fox Pan American Sports LLC (FPAS), FEG contributed a cash investment and its existing Spanish-language sports businesses, including the Fox Sports Latin American network (a Spanish-language sports network distributed to subscribers in certain Central and South American nations outside of Brazil) and Fox Sports World Espanol (a Spanish-language sports network distributed to approximately 4.6 million subscribers in the U.S.). FEG also entered into agreements with FPAS to provide certain support services including advertising and affiliate sales, corporate, personnel and production and technical services, primarily in the U.S.

Fox Family Worldwide

During fiscal 2001, Fox Family Worldwide, Inc. (FFW), a family and children s entertainment company, was owned 49.5% by FEG and 49.5% by Haim Saban and certain limited partnerships controlled by

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Mr. Saban. In October 2001, FEG, Haim Saban and the other stockholders of FFW sold FFW to The Walt Disney Company (Disney) for total consideration of approximately $5.2 billion (including the assumption of certain debt) of which approximately $1.7 billion was in consideration of FEG s interest in FFW.

National Geographic Channels

FEG, NBC and National Geographic Television (NGT) own approximately 50%, 25% and 25% interests, respectively, in NGC Network International, LLC, which produces the National Geographic Channel for distribution in various international markets, including certain countries in Europe, Asia and Latin America. The National Geographic Channel airs documentary programming on such topics as natural history, adventure, science, exploration and culture. It is currently shown in approximately 133 countries internationally, as well as in the U.S. National Geographic programming is provided in Australia, certain countries in Europe and Scandinavia by a partnership in which BSkyB, NBC and NGT are currently partners.

In January 2001, FEG and NGT launched the National Geographic Channel in the U.S. The National Geographic Channel currently reaches approximately 33.2 million U.S. cable and DBS households. FEG holds a 66.67% interest (which is not consolidated for accounting purposes) in NGC Network US, LLC, the producer of the U.S. channel, with NGT holding the remainder.

Fox Movie Channel

Launched in November 1994 and currently reaching approximately 16.1 million U.S. cable and DBS households, Fox Movie Channel (FMC), which is wholly owned by FEG, is Hollywood s first and only studio-based movie network. FMC showcases commercial-free contemporary hits and classics from the Fox Library.

Los Angeles Dodgers

FEG owns substantially all of the Los Angeles Dodgers MLB franchise (the Dodgers) as well as Dodger Stadium. The Dodgers recently completed their 112th year in the National League and in each of the last five seasons have achieved attendance of over three million fans at Dodger Stadium.

Magazines and Inserts

Inserts/Marketing Services

News Corporation s U.S. marketing operations are organized under News America Marketing Group (NAMG).

NAMG consists primarily of the Company s free-standing insert division (FSI), and the in-store division, a provider of in-store promotional services (In-Store). News America On Call, a division of FSI, is a U.S. telephone-based marketing business.

FSI is one of the two largest publishers of promotional free-standing inserts in the U.S. Free-standing inserts are multiple-page promotional booklets containing coupons, sweepstakes, rebates and other consumer offers which are distributed to consumers through insertion into local Sunday newspapers. Advertisers, primarily packaged goods companies, pay FSI to produce free-standing inserts, and FSI contracts with and pays newspapers to include the free-standing inserts into their Sunday editions. FSI produces over 63 million free-standing inserts 44 times a year, which are inserted in more than 700 Sunday newspapers throughout the U.S. FSI, through an affiliate, also produces over 5 million free-standing inserts 15 times annually in Canada, which are inserted into more than 150 Canadian newspapers.

NAMG is a leading provider of in-store marketing products and services, primarily to consumer packaged goods manufacturers, with products in more than 35,000 supermarkets, drug stores and mass merchandisers worldwide.

News America On Call implements and markets telephone programs and services to subsidiaries of News Corporation and other media companies.

SmartSource®, the first branded endeavor in the couponing industry, is the brand name which is linked with NAMG s vast assortment of promotional and marketing products, including free-standing inserts and In-Store s instant coupon machines. The SmartSource® brand currently reaches more than 100 million consumers weekly.

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The SmartSource iGroup manages NAMG s portfolio of database marketing and on-line marketing products and services. The database marketing business, branded SmartSource Direct, provides database marketing and technology solutions for both retailers and manufacturers. The SmartSource Savings Network, which includes SmartSource.com, is an Internet-based network of newspaper, retailer and lifestyle sites connected through a common platform designed to deliver printable coupons, samples and other consumer promotions to an audience of more than seven million unique consumers.

NAMG competes against other producers of promotional, advertising inserts and direct mailers of promotional and advertising materials, as well as trade and in-store advertisements and promotions. Competition is based on advertising rates, availability of markets and rate of coupon redemption.

Magazines

News Corporation publishes *The Weekly Standard*, a weekly magazine offering political commentary.

The Weekly Standard,Inside Out and *Donna Hay* (see Australasia Magazines and Inserts) compete for readership and advertising with other magazines of similar character and/or with other forms of print and non-print media. Competition for circulation is based upon the editorial and informational content of each publication and its price. Competition for advertising is based on circulation levels, reader demographics, advertising rates and advertiser results.

Newspapers

News Corporation owns the *New York Post* (the *Post*), a mass circulation, metropolitan morning newspaper that is published seven days a week in New York City. For the month ended June 30, 2002, the newspaper had average daily circulation of approximately 595,310. Additionally, News Corporation operates NYPOST.COM (*www.nypostonline.com*) and Pagesix.com (*www.pagesix.com*), Internet websites that provide content of a nature similar to that contained in the print version of the *Post*. News Corporation prints the *Post* in a new printing facility in Bronx, New York.

Book Publishing

Through HarperCollins Publishers (HarperCollins), News Corporation is engaged in English language book publishing on a worldwide basis. HarperCollins is one of the world s largest English language book publishers. Its most significant components are HarperCollins Publishers Inc., headquartered in New York, HarperCollins Publishers Limited, headquartered in London, and The Zondervan Corporation (Zondervan), headquartered in Grand Rapids, Michigan. HarperCollins primarily publishes fiction and non-fiction, including religious books, for the general consumer. In the U.K., HarperCollins publishes some titles for the educational market as well.

During fiscal 2002, approximately 72% of HarperCollins revenues were derived from operations in North America and approximately 26% of its revenues were derived from operations in the U.K. HarperCollins also maintains operations in Canada, Australia, New Zealand and India. These operations, primarily focused on the distribution of books published by HarperCollins in the U.S. and the U.K., also engage in local publishing.

During fiscal 2002, HarperCollins U.S. had 106 titles on *The New York Times* bestseller list, with nine titles that reached the #1 spot including *Princess in Love* by Meg Cabot; *The Hostile Hospital* and *Lemony Snicket, The Unauthorized Autobiography* by Lemony Snicket; *Stupid White Men* by Michael Moore; *We Were Soldiers Once And Young* by Harold G. Moore and Joseph L. Galloway; *Ordinary People, Extraordinary Wealth* by Ric Edelman; and longtime bestsellers *Body For Life* by Bill Phillips; *Dr. Atkins New Diet Revolution* by Robert Atkins; and *Divine Secrets of the Ya-Ya Sisterhood* by Rebecca Wells.

In September 2001, HarperCollins launched Rayo, an imprint that publishes titles for and about Latinos in both English and Spanish. In March 2002, HarperCollins acquired Black Sparrow Press rights to publish three major literary authors Paul Bowles, Charles Bukowski and John Fante. In addition, in fiscal 2002, HarperCollins acquired worldwide English-language rights to publish IBM Chairman Louis V. Gerstner, Jr. s book.

Zondervan, HarperCollins Evangelical Christian publishing division published all of the year s top five bestselling Bibles in Christian Booksellers Association stores, including the NIV Study Bible.

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HarperCollins competes with other book publishers in all consumer markets.

Other Interests

News Corporation owns approximately 43% of Gemstar-TV Guide. In July 2000, TV Guide, Inc. merged with a subsidiary of Gemstar International Group Limited. As a result of the merger, News Corporation acquired approximately 21% of Gemstar-TV Guide. In May 2001, News Corporation acquired from Liberty an additional approximate 17% interest in Gemstar-TV Guide in exchange for approximately 121.5 million News Corporation ADRs representing approximately 486 million News Corporation Preferred Shares. In December 2001, News Corporation acquired Liberty s remaining 4% interest in Gemstar-TV Guide in exchange for approximately 28.8 million News Corporation ADRs representing approximately 115.2 million News Corporation Preferred Shares. Gemstar-TV Guide s common stock is quoted on the Nasdaq National Market under the symbol GMSTE .

On August 19, 2002, Gemstar-TV Guide received a Nasdaq Staff Determination that its securities are subject to delisting from the Nasdaq National Market because Gemstar-TV Guide failed to file its Form 10-Q for the quarter ended June 30, 2002 on a timely basis. Gemstar TV-Guide delayed the filing of its Form 10-Q because of a dispute with its independent accountants regarding Gemstar TV-Guide s decision to restate its financial statements for the year ended December 31, 2001. On November 9, 2002 the Nasdaq Listing Qualifications Panel granted Gemstar-TV Guide s request for an exception to continue its listing on the Nasdaq National Market based on certain conditions including filing with the SEC and Nasdaq, on or prior to March 3, 2003, all necessary amended filings for fiscal 2000, 2001 and 2002, including affirmative statements that the filings have been reviewed and/or audited in accordance with SEC requirements. Gemstar-TV Guide recently engaged a new independent accounting firm to audit its Consolidated Financial Statements. Additionally, Gemstar-TV Guide stated in its Annual Report on Form 10-K/A for the year ended December 31, 2001 (filed November 15, 2002, the Gemstar 10-K/A) that it will be reviewing its accounting policies to ensure compliance with accounting principles generally accepted in the U.S. Specifically, Gemstar-TV Guide stated that it will be focusing on the accounting for licensing and advertising revenue including but not limited to, revenues from strategic customers and multi-platform advertisers. Gemstar-TV Guide has also stated in the Gemstar 10-K/A that it is likely that, as a result of such accounting firm s audit of its Unaudited Consolidated Financial Statements and Gemstar-TV Guide s ongoing review of its accounting policies and the application of the policies to various types of transactions, that Gemstar-TV Guide will further restate its Unaudited Consolidated Financial Statements for the year ended December 31, 2001. Gemstar-TV Guide further stated in the Gemstar 10-K/A that such restatements may be material to its Unaudited Consolidated Financial Statements. The effects of all restatements will be evaluated by News Corporation once Gemstar-TV Guide s accounting firm completes its audit of Gemstar-TV Guide s Unaudited Consolidated Financial Statements, and Gemstar-TV Guide provides such restated financial statements to News Corporation. News Corporation intends to file Gemstar TV-Guide s audited financial statements, in an amendment to this Form 20-F, as soon as they become available. On October 17, 2002, the SEC issued to Gemstar TV-Guide a formal order of investigation to determine whether there have been violations of the federal securities laws.

In November 2002, News Corporation, Gemstar-TV Guide, Dr. Henry Yuen and Ms. Elsie Leung, the then Chief Executive Officer and Chief Financial Officer of Gemstar-TV Guide, respectively, entered into a series of agreements which modified Gemstar-TV Guide s management and corporate governance. As part of this restructuring, Dr. Yuen and Ms. Leung resigned from their executive positions with Gemstar-TV Guide and were replaced with former News Corporation executives. In addition, Dr. Yuen s right to designate directors, other than himself, to the Gemstar-TV Guide board, was terminated and News Corporation s right to designate directors to the Gemstar-TV Guide board was reduced from six directors to one.

Gemstar-TV Guide is a global technology and media company focused on consumer entertainment. Gemstar-TV Guide has three major business sectors: the Technology and Licensing sector, which is responsible for the development, licensing and protection of intellectual property and proprietary technologies; the Interactive Platform sector, which derives recurring income from advertising, interactive services and e-commerce on Gemstar-TV Guide s proprietary interactive platforms; and the Media and Services sector, which operates *TV Guide* magazine, TV Guide Channel and other non-interactive platforms and media properties.

In addition, News Corporation holds minority investments in several new media and technology companies through its epartners investment fund and epartners2, an investment partnership with an affiliate of Softbank Corporation and other investors.

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United Kingdom Operations

Newspapers

News International plc (News International), a subsidiary of News Corporation, publishes *The Times*, *The Sunday Times*, *The Sun* and the *News of the World* in the U.K. Sales of these four newspapers account for approximately one-third of all national newspapers sold in the U.K. Both *The Times*, a daily published Monday through Saturday, and *The Sunday Times* are leading broadsheet newspapers. *The Sun*, published each morning Monday through Saturday, and the *News of the World*, published on Sunday, are both popular, mass market newspapers. The average paid circulation for each of these four national newspapers during the six months ended June 30, 2002 was: *The Times* 709,061; *The Sunday Times* 1,416,679; *The Sun* 3,441,613; and *News of the World* 3,953,700.

The printing of all four of News Corporation s U.K. newspapers (except Saturday and Sunday supplements) takes place principally in four printing facilities owned by News Corporation which are situated in London, Knowsley (near Liverpool) and Glasgow. News International also has an arrangement to print the Irish editions of its newspapers in Ireland.

The newspapers published by News Corporation compete for readership and advertising with local and national newspapers and compete with television, radio and other communications media in their respective locales. Competition for newspaper circulation is based on the news and editorial content of the newspaper, cover price and, from time to time, various promotions. The success of the newspapers published by News Corporation in competing with other newspapers and media for advertising depends upon advertisers judgments as to the most effective use of their advertising budgets. Competition for advertising among newspapers is based upon circulation levels, reader demographics, advertising rates and advertiser results. Such judgments are based on factors such as cost, availability of alternative media, circulation and quality of readership demographics.

Most of News Corporation s newspapers are sold primarily by single copies and, to a lesser degree, by subscription. Single copies are sold by retail news agents and a wide variety of alternative retail outlets such as garages and supermarkets which are supplied by employees of News Corporation or independent wholesalers. Newspapers sold on a subscription basis are delivered to consumers homes primarily by independent delivery persons. News Corporation s free-circulation newspapers are delivered exclusively by independent delivery persons to consumers homes in areas designated by News Corporation. News Corporation also engages in storage and transport of newsprint.

News International s subsidiary, TSL Education Ltd. (TSL), publishes four periodicals for education professionals. *The Times Literary Supplement*, *The Times Educational Supplement*, *The Times Higher Education Supplement* and *Nursery World* are published weekly. TSL s Worldwide Learning division provides staff development programs to corporate markets worldwide, including the U.K., Europe and China, using a mix of electronic and traditional media to deliver both customized and off-the-shelf courses.

Television

News Corporation holds an approximate 36.2% interest in BSkyB. BSkyB is the leading pay television broadcaster in the U.K. and Ireland, and is one of the leading suppliers of content, including movies, news, sports and general entertainment programming, to pay television operators in the U.K. As of June 30, 2002, BSkyB had approximately 10.2 million subscribers in the U.K. and Ireland. Of these subscribers, approximately 6.1 million were DTH subscribers and, approximately 4.1 million were cable subscribers.

BSkyB s ordinary shares are listed on the London Stock Exchange and its American Depositary Shares, each representing six BSkyB ordinary shares, are listed on the New York Stock Exchange, in each case under the symbol BSY .

DTH subscribers contract directly with BSkyB for the package of basic and premium channels they wish to receive. Cable subscribers, in contrast, contract with their local cable operators, which in turn acquire the rights to distribute certain of the Sky Channels from BSkyB. BSkyB generates revenues directly from its DTH subscribers and from fees paid by cable operators. Programming offered by BSkyB comprises general entertainment, news, sports and movies. Prior to the closure of ITV Digital, a digital terrestrial television (DTT) service, in April 2002, BSkyB supplied content to ITV Digital. The multiplex licenses previously held by ITV Digital have since been awarded to the British Broadcasting Corporation (BBC) and Crown Castle UK Limited (Crown Castle). As part of an agreement with the BBC and Crown Castle, BSkyB has initially agreed to supply three of its channels unencrypted free-to-air via the DTT platform, known as Freeview, which launched in October 2002.

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Following the launch of Sky digital in October 1998, BSkyB launched an initiative in 1999 to accelerate the take up of digital satellite by providing purchasers with a free digital satellite system, with the purchaser agreeing to pay an installation charge and to keep the system connected to an operational telephone line for 12 months. BSkyB, following its purchase of all of the shares of British Interactive Broadcasting, or BiB, (which previously subsidized the cost of the equipment) currently subsidizes the cost of providing these free digital satellite systems.

BSkyB s digital DTH customers can also access interactive services through the Sky Active service. Sky Active provides an interactive TV platform for the development and delivery of interactive services, such as games, home shopping, betting, banking, travel, holiday and e-mail services. Sky Active is currently available free of charge to all digital satellite viewers. It derives revenues principally from premium rate telephone charges, revenue sharing in e-commerce transactions, tenancy and technology fees and interactive set top box subsidy recovery.

In April 2000, BSkyB acquired an approximate 24% interest in KirchPayTV, a German language pay television service operator in Germany and Austria, as well as certain rights pursuant to a shareholders agreement, for cash consideration of DM 1 billion and 78 million BSkyB ordinary shares. In February 2002, BSkyB announced that it believed that its investment in KirchPayTV was impaired as at December 31, 2001. The ongoing losses experienced by KirchPayTV, concerns over the adequacy of funding in place to support KirchPayTV s business plan and BSkyB s evaluation of the limited information it had regarding the financial effects of certain management decisions caused BSkyB to make an impairment charge, thereby reducing the carrying value of the investment to nil. In August 2002, formal insolvency proceedings were opened in Germany for KirchPayTV.

BSkyB s main competitors for the acquisition of programming are the major terrestrial broadcasters, digital terrestrial television operators, cable companies and a wide range of pay television channel providers. BSkyB competes for advertising and sponsorship revenue with other broadcasters.

Other Television Operations and Interests in Europe

News Corporation owns approximately 50% of Stream S.p.A. (Stream), a pay television service provider in Italy. The remaining approximate 50% interest is held by Telecom Italia S.p.A. (Telecom Italia) In October 2002, News Corporation and Telecom Italia agreed to acquire Telepiu, S.p.A., Vivendi Universal s satellite pay-television platform in Italy, for approximately 920 million, consisting of the assumption of up to 450 million in outstanding indebtedness and a cash payment of 470 million. As part of the acquisition, Telepiu will be combined with Stream, and News Corporation will own 80.1% and Telecom Italia will own 19.9% of the combined entity. The acquisition, which is subject to regulatory approval, is expected to close prior to the end of fiscal 2003. As of November 8, 2002, Stream had approximately 680,000 DTH and 25,000 cable subscribers.

Other Activities and Interests

Technology

News Corporation owns approximately 78.25% of the equity and 97.3% of the voting power of NDS. NDS ADRs are quoted on both the Nasdaq National Market and on Nasdaq Europe under the symbol NNDS.

NDS is a leading supplier of open end-to-end digital pay-TV solutions for the secure delivery of entertainment to television set-top boxes and personal computers. NDS customers are both broadcast platform operators and channels. NDS conditional access systems enable its customers to manage and control the secure distribution of entertainment over a variety of media and to protect this content from unauthorized viewing. These systems also enable NDS customers to provide enhanced television and interactive services such as electronic program guides, games, betting applications, interactive advertising and television commerce. The technology can be used for satellite direct-to-home digital television, digital terrestrial television, cable television networks and broadband IP networks. NDS provides interactive-television applications as well as data broadcasting systems. NDS software systems assist platform operators and channels both in their basic operations and in the development and implementation of enhanced-television and interactive-television services from which broadcasters can derive additional revenues. NDS has developed personal digital video recorder technology.

At June 30, 2002, approximately 29.6 million set top boxes containing NDS technology were in use worldwide, up from approximately 24.5 million set top boxes at June 30, 2001. NDS customers include

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leading broadcasters such as DIRECTV in the U.S., and BSkyB in the U.K., as well as a number of broadcasters in Latin America, Europe and the Asia-Pacific region. During the year ended June 30, 2002, DIRECTV gave notice that it intended to take its conditional access systems in-house in accordance with the terms of the contract between NDS and DIRECTV. NDS will continue to supply services to DIRECTV until the expiration of the current contract in August 2003 and will receive revenues thereafter during a transition phase. DIRECTV accounted for approximately 29% of NDS revenues in the year ended June 30, 2002.

In September 2002, NDS Group plc and two of its subsidiaries were named as defendants in a lawsuit filed by DIRECTV, Inc. and certain of its affiliates in the United States District Court for the Central District of California. The suit purports to allege misappropriation of trade secrets, breach of contract, fraud and statutory violations relating to NDS provision of conditional access services to DIRECTV. The suit seeks unspecified damages and injunctive relief. The allegations are substantially similar and related to a complaint in a prior action commenced by DIRECTV that was dismissed with prejudice in February 2002. NDS believes that these allegations as well as the additional ones in the complaint are without merit and a pretext designed to enable DIRECTV to circumvent restrictions on DIRECTV s future use of NDS technology. NDS intends vigorously to defend the action and has filed a motion to dismiss many of DIRECTV s claims. Additionally, in October 2002, NDS filed counterclaims against DIRECTV and a chip manufacturer, alleging that DIRECTV and the chip manufacturer misappropriated NDS trade secrets and proprietary information, conspired to infringe NDS patents, colluded to unfairly compete and breached agreements and licenses restricting the use of NDS intellectual property.

In March 2002, Groupe Canal+ Technologies S.A. and Canal+ Technologies Inc., subsidiaries of Vivendi (collectively Canal+), filed a lawsuit against NDS Group plc and NDS Americas Inc. in the United States District Court, Northern District of California, alleging acts of improper conduct, including unfair competition and copyright infringement, in connection with the conditional access systems operated by Canal+. In October 2002, Canal+ and NDS agreed to a stay of all proceedings pending regulatory approval of News Corporation s acquisition of Telepiu. The action will be dismissed with prejudice upon the consummation of the acquisition. In October and November 2002, each of EchoStar Communications Corporation (EchoStar) and several affiliates and MEASAT Broadcast Network Systems Sendirian Berhad, a Malaysian DBS provider, asked the court s permission to intervene in the action, asserting that they have claims similar to those asserted by Canal+. The motions to intervene are currently scheduled to be heard in January 2003.

In October 2002, NDS Americas, Inc. was served with subpoenas by the U.S. Attorney s office in San Diego, California, seeking documents apparently in connection with an investigation related to Canal+ and EchoStar s claims. NDS is co-operating with the investigation.

NDS competes with a number of companies, although no single company competes with it in all of its product lines. Competition in its core area, conditional access systems, is intense and is based on price and other commercial terms, the number of set-top box manufacturers that have integrated conditional access systems and technologies in their products, the availability of adding applications such as electronic program guides and interactive applications, the ability of NDS to integrate its systems with broadcasting equipment of its customers, the degree of compliance with international, regional and national standards and the security of the overall system, among other factors.

Other

News Corporation owns an interest in three FM and cable radio stations, Sky Radio, Radio 538 and Classic FM, in Holland, as well as Sky Radio A/S, a Danish cable and FM radio station. In addition, News Corporation owns a 40% interest in The Wireless Group, which owns and operates a national AM radio franchise and several independent local radio franchises in the U.K.

Through its News Outdoor subsidiary, News Corporation owns 75% of News Out of Home BV, a partnership with an affiliate of Capital International, Inc. News Out of Home BV owns and operates Town & City II S.A., Exclusiv Media s.r.l. and News Outdoor Hungary Kft, which are outdoor advertising companies located in Poland, Romania, and Hungary, respectively. News Out of Home BV also owns 64% of Media Support Services Limited, an outdoor advertising company located in Russia.

News Corporation also engages in book publishing in the U.K. through HarperCollins U.K. (For a discussion of News Corporation s book publishing activities in the U.K., see United States Operations Book Publishing above).

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Through Mushroom Records (UK) Limited (Mushroom Records UK), News Corporation is engaged in recording, promoting and distributing music in the U.K.

News Corporation owns approximately 9.8% of Metromedia International Group, Inc., a U.S. publicly-held company with interests in communications businesses in Eastern Europe, the republics of the former Soviet Union, China and other selected emerging markets.

Australasia Operations

Television

STAR

News Corporation, through its indirect wholly owned subsidiary STAR, is engaged in the development, production and distribution of television programming to 53 countries throughout Asia and the Middle East. STAR currently broadcasts in eight languages and across 40 channels. STAR divides its markets into four regions: Hong Kong; India; mainland China; and Taiwan and the rest of Asia, with a primary focus on South Korea, Singapore, Pakistan, the Philippines, Malaysia and Thailand. STAR estimates that approximately 300 million people in 96 million households regularly tune in to STAR s channels. STAR has also commenced distribution of its channels in Europe, Australia and North America.

STAR s programming is primarily distributed via satellite to local cable operators for distribution to their subscribers. In certain countries, STAR also distributes its programming and other third-party programming via satellite directly to viewers. In addition, STAR distributes Channel [V] Mainland China as a free-to-air channel that may be received by anyone with a satellite dish. Phoenix Chinese Channel, owned and operated by Phoenix Satellite Television Holdings Limited (Phoenix), which is approximately 38% owned by STAR, also transmits on a free-to-air basis and reaches over 40 million households.

STAR is the leading provider of television programming in Asia, currently offering 40 channels. STAR wholly owns and operates 12 channels, including a new mainland China general entertainment channel, launched in March 2002, that is broadcast in southern China where STAR has been granted official landing rights; several versions of STAR Movies, the highest rated international movie channel in India; STAR Chinese Channel, the leading cable and satellite channel in Taiwan; and STAR Plus, STAR s highest rated cable channel in India. In addition, STAR provides an additional 28 channels owned and operated by News Corporation and other entities, including NGC Networks Asia (National Geographic), Phoenix, and ESPN STAR Sports, a 50/50 joint venture between STAR and ESPN.

STAR s primary sources of programming include the exclusive rights to broadcast: (i) theatrical movies produced by Twentieth Century Fox, Dreamworks SKG, MGM, Disney and Canal+; (ii) many of Asia s most popular sporting events; (iii) an extensive contemporary Asian film library; (iv) over 25,000 hours of original programming produced or commissioned by STAR; (v) strategic arrangements with leading local production companies; and (vi) music videos, as well as music and youth-oriented programming, distributed by Channel [V], a 24-hour music television service which is 87.5% owned by STAR. In addition, Fortune Star Entertainment Limited, a wholly-owned subsidiary of STAR, was formed to produce and commission theatrical movies and television programming for Chinese audiences worldwide.

STAR has entered into a strategic partnership with Hathway Cable & Datacom Private Limited (Hathway), the second largest multi-system cable operator in India. As part of this strategic partnership, STAR acquired a 26% equity interest in Hathway and assisted Hathway in developing a co-branded Internet portal as the default website for Hathway s broadband service. STAR s investment will be used to upgrade Hathway s existing cable infrastructure to provide broadband services and acquire additional cable systems.

As of November 2002, STAR has aggregate interests of up to 23.7% in 17 cable systems throughout Taiwan, including systems affiliated with the Koos Group, a leading Taiwan business conglomerate. These 17 cable systems had over 2.4 million homes passed and approximately 1.3 million subscribers as at the end of November 2002. The Koos Group and STAR also formed a joint venture company, SK Finance Company Limited, in which STAR has a 20% interest, to fund the digitization and encryption of certain of the Taiwan cable systems in which both the Koos Group and STAR have ownership interests. This digitalization and encryption plan will involve the installation of a digital set-top box in each subscriber s home through which cable operators will be able to sell additional pay TV channels and simple interactive services to their subscribers.

In February 2001, STAR formed a strategic alliance with Music Broadcast Private Limited to launch Radio City FM radio stations in India. The first private FM radio station in India was launched by Radio City in Bangalore in July 2001. Currently, Radio City also has FM stations in Mumbai and Lucknow, India.

News Corporation holds an interest in China Netcom Corporation (Hong Kong) Limited, one of the licensed telecommunication operations in mainland China. In addition, STAR has an interest in Netease.com, a horizontal portal and search engine in mainland China.

FOXTEL

News Corporation, Telstra, the Australian telecommunications company, and Publishing and Broadcasting Limited own and operate FOXTEL, a cable and satellite television service in Australia with 25%, 50% and 25% interests, respectively. FOXTEL delivers and manages its cable television service using the Telstra cable network and currently delivers 50 channels on cable and 44 channels on satellite. At June 30, 2002, FOXTEL had approximately 799,000 subscribers. In connection with the joint venture, News Corporation and all of its affiliates have agreed to offer to FOXTEL all programming for which they have Australian pay television rights for a further six years. This offer is subject to standard industry exceptions, and does not apply to rights previously granted to other parties at the date of the agreement (including the grant to Premium Movie Partnership referred to below). Units of FFE currently license programming to FOXTEL for exhibition channels carried on FOXTEL s service. In addition, FOXTEL carries two movie services, Showtime and Encore, programmed by the Premium Movie Partnership, in which a News Corporation subsidiary holds a 20% interest and to which a unit of FFE licenses motion pictures. In November 2002, FOXTEL channels became available as part of bundled telephony and subscription television offerings by Telstra and Optus, an Australian telecommunications company.

SKY PerfecTV!

News Corporation owns approximately 8.1% of SKY Perfect Communications Inc., which operates SKY PerfecTV!, the leading multi-channel digital satellite television distribution platform in Japan. The other major shareholders are Sony Broadcast Media, Fuji Television Network Inc. and Itochu Corporation, which each own a 9.4% interest in SKY PerfecTV!, and JSAT Corporation, which owns approximately 7% of SKY PerfecTV!. At November 30, 2002, SKY PerfecTV! broadcast 181 digital television channels and had approximately 3.3 million subscribers.

Newspapers

News Corporation is the largest newspaper publisher in Australia, owning more than 100 daily, Sunday, weekly, bi-weekly and tri-weekly newspapers, of which 76 are suburban publications. News Corporation publishes the only nationally distributed general interest newspaper in Australia, leading metropolitan newspapers in each of the major Australian cities of Sydney, Melbourne, Adelaide and Perth and leading suburban newspapers in the suburbs of Sydney, Melbourne, Adelaide and Brisbane. News Corporation s daily and Sunday newspapers (exclusive of its suburban and regional newspapers) account for in excess of 50% of the total circulation of all daily and Sunday newspapers (excluding suburban and regional newspapers) published in Australia. In addition, News Corporation owns an approximate 42% equity interest in Queensland Press Limited (QPL) which owns two metropolitan and eight regional newspapers in Australia. The remaining interest in QPL is held by a wholly-owned subsidiary of Cruden Investments Pty. Limited, a substantial shareholder of News Corporation. See Item 7: Major Shareholders and Related Party Transactions.

News Corporation s principal daily newspapers in Australia are *The Australian; The Daily Telegraph*, which is published in Sydney; the *Herald-Sun*, which is published in Melbourne; and *The Advertiser*, which is published in Adelaide. *The Courier-Mail*, which is owned by QPL, is the daily newspaper in Brisbane. *The Australian*, which is Australia s only general interest national daily newspaper, is printed in six cities and distributed nationwide in Australia. News Corporation s other principal daily newspapers in Australia, as well as *The Courier-Mail*, are mass circulation, metropolitan newspapers with broadly-based readerships and are published and distributed regionally. The average Monday to Saturday paid circulation of each of these daily newspapers during fiscal 2002 was as follows: *The Australian* 160,277; *The Daily Telegraph* - 399,982; the *Herald Sun* 542,952; *The Advertiser* 217,650; and *The Courier Mail* 236,181.

News Corporation s principal Sunday newspapers in Australia are *The Sunday Telegraph*, which is published in Sydney; the *Sunday Herald-Sun*, which is published in Melbourne; *The Sunday Mail*, which is published in Adelaide; and the *Sunday Times*, which is published in Perth. *The Sunday Mail*, which is published by QPL in Brisbane, is the Sunday newspaper in that city. All of these newspapers are mass

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circulation, metropolitan Sunday newspapers with broadly-based readerships reflecting the diversity of the populations of the cities in which they are published. The average paid circulation of each of these Sunday newspapers during fiscal 2002 was as follows: *The Sunday Telegraph* 724,628; the *Sunday Herald-Sun* 562,574; The *Sunday Mail (Adelaide)* 345,764; the *Sunday Times* 345,757; and *The Sunday Mail (Brisbane*) 601,122.

The balance of the newspapers which News Corporation owns and publishes in Australia are distributed to a wide range of readers in urban, suburban and rural areas and are principally weekly publications. The majority of such newspapers are free-distribution suburban publications, having average weekly circulations of between approximately 16,600 and 114,700. In the Sydney suburban markets, News Corporation owns 18 newspapers; in Melbourne, 31 newspapers; in Brisbane, 16 newspapers; in Adelaide, 11 newspapers and one monthly magazine; and in Perth, News Corporation s 50% owned suburban group publishes 14 weekly newspapers. The average weekly circulations of News Corporation s suburban newspapers for the six months ended March 31, 2002 aggregated approximately 4,866,000 homes. News Corporation s suburban newspapers are leading publications in terms of advertising and circulation in each of their respective markets. News Corporation s other newspapers in Australia are regional newspapers, circulating throughout broader, less densely populated areas.

News Corporation owns a 45.3% interest in Independent Newspapers Limited (INL), which publishes approximately 70 newspapers and 15 magazines in New Zealand, and one provincial and two community newspapers in Australia. INL also operates a magazine distribution business in New Zealand and a news and information website (www.stuff.co.nz). In addition, INL owns a 66.25% interest in Sky Network Television Limited, a land-linked UHF network and digital DBS service.

Except for 49 of its suburban newspapers, News Corporation s Australian newspapers are produced and printed in facilities owned by News Corporation.

(For information regarding newspaper competition and distribution, see United Kingdom Operations Newspapers above).

Filmed Entertainment

Fox Studios Australia is a film and television production facility owned by FEG. FEG purchased Lend Lease Corporation s interest in the film and television production facility in June 2002. Adjacent to the facility is a cinema and retail complex which is a 50/50 joint venture between FEG and Lend Lease.

Magazines and Inserts

News Magazines Pty. Ltd. (News Magazines), News Corporation s Australian magazine division, publishes *Inside Out,* a home and lifestyle magazine, and *Donna Hay,* a home cooking and entertainment magazine. (See discussion of competition under Magazines and Inserts Magazines.)

Other Activities and Interests

In Australia, News Corporation is also engaged in book publishing and owns Festival Records Pty. Limited and Mushroom Records Pty. Limited, which are engaged in the recording, manufacturing, marketing and distribution of pre-recorded music in Australia and New Zealand. (For a discussion of News Corporation s book publishing activities in Australia, see United States Operations Book Publishing above.)

Latin American Operations

Television

As of June 30, 2002, News Corporation, Globopar Communicacoes e Participacoes S.A. (Globo) and Liberty Media International, Inc. (LMI), indirectly held interests in Sky Brasil Servicos Limitada (Sky Brasil), the leading DTH pay television service in Brazil, of 36%, 54% and 10%, respectively. In July 2002, Globo and News Corporation announced an agreement whereby Globo will reduce its total projected investments in Sky Brasil during calendar 2002 and 2003 by US$50 million while News Corporation will increase its total projected investments. Pursuant to the agreement, Globo s interest in Sky Brasil was immediately diluted to 49.9% for governance purposes. Globo s 54% equity interest is subject to dilution as a result of News Corporation s actual capital contributions which are expected to increase News Corporation s equity interest to approximately 49%. In October 2002, Globo announced its intention to restructure its outstanding debt obligations. Sky Brasil had approximately 706,000 subscribers as of June 30, 2002.

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News Corporation has a 30% interest in Innova, operator of Sky Mexico, the leading DTH pay television service in Mexico. The remaining interests in Innova are held by Grupo Televisa, S.A. (Televisa) and LMI, which own 60% and 10% of Innova, respectively. Sky Mexico had approximately 700,700 subscribers as of June 30, 2002.

News Corporation is a partner with Globo, Televisa and LMI in Sky Multi-Country Partners, which was formed to acquire interests in, and develop strategic DTH alliances with, local partners in Latin America and the Caribbean basin, excluding Mexico and Brazil. News Corporation, Globo and Televisa each indirectly hold a 30% interest and LMI indirectly holds a 10% interest in Sky Multi-Country Partners. Sky Multi-Country Partners currently has interests in DTH businesses in Chile (Sky Chile) and Colombia (Sky Colombia). In June 2002, Sky Argentina S.C.A. ceased operations.

In addition, News Corporation, Globo and Televisa each indirectly hold a 30% interest and LMI indirectly holds a 10% interest in two Delaware general partnerships, DTH Techco Partners (Techco) and Sky Latin America Partners (Serviceco). From its facilities in Florida, Techco provides uplink services for the various Sky DTH services in Latin America. Serviceco provides management services to Techco and Sky Multi-Country Partners.

The pay television industries in Brazil, Mexico and Latin America have been and are expected to remain highly competitive. Competition in the pay television business is primarily based upon price, program offerings, customer satisfaction and quality of the system network. The DTH strategic alliance between News Corporation, Globo, LMI and Televisa competes with providers of pay television services utilizing Ku-band and C-band DTH technologies, cable systems, national broadcast networks and regional and local broadcast stations, movie theaters, video and DVD rental stores and other entertainment and leisure activities generally. As pay television markets in Brazil, Mexico and elsewhere in Latin America develop, this DTH strategic alliance expects to face competition from an increasing number of sources.

Cable Network Programming

Fox Latin American Channel, Inc., a subsidiary of FEG, operates Canal Fox, a general entertainment cable and satellite service for Latin America covering Central and South America. Canal Fox broadcasts in the Portuguese language in Brazil and in the Spanish language in the rest of the territory. The channel s programming line-up consists of movies, series and music specials. Fox LAPTV, LLC, a subsidiary of FEG, owns a 20.2% equity interest in LAPTV, a partnership which distributes three premium pay television channels and one basic television channel in Latin America (excluding Brazil). Such channels primarily feature theatrical motion pictures of FEG and three other studio partners in the English language with Spanish subtitles. In addition, Fox Latin America, Inc., a subsidiary of FEG, holds a 12.5% equity interest in Telecine, LLC, which distributes five premium pay television channels in Brazil. Such channels primarily feature theatrical motion pictures of FEG and three other studio partners in the English language with Portuguese subtitles.

Seasonality

Although seasonality affects the financial performance of certain of the businesses in which News Corporation is engaged, the financial performance of News Corporation, on a consolidated basis, is not materially affected by seasonal factors.

Raw Materials

As a major publisher of newspapers, magazines, free-standing inserts and books, News Corporation utilizes substantial quantities of various types of paper. In order to obtain the best available prices, substantially all of News Corporation s paper purchasing is done on a centralized, volume purchase basis, and draws upon major paper manufacturing countries around the world. News Corporation believes that under present market conditions, its sources of paper supply used in its publishing activities are adequate and that there are alternative sources of supply available at prices comparable to those presently being paid.

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Government Regulation

United States

Filmed Entertainment

FFE is subject to the provisions of so-called trade practice laws in effect in 25 states relating to theatrical distribution of motion pictures. These laws substantially restrict the licensing of motion pictures unless theater owners are first invited to attend a screening of such motion pictures and, in certain instances, also prohibit payment of advances and guarantees to motion picture distributors by exhibitors. Further, pursuant to various consent judgments, FFE and certain other motion picture companies are subject to certain restrictions on their trade practices in the U.S., including a requirement to offer motion pictures for exhibition to theaters on a theater-by-theater basis and, in some cases, a prohibition against the ownership of theaters.

Television

In general, the television broadcast industry in the U.S. is highly regulated by federal laws and regulations issued and administered by various federal agencies, including the FCC. The FCC regulates television broadcast stations pursuant to the Communications Act of 1934, as amended (the Communications Act). The Communications Act permits the operation of television broadcast stations only in accordance with a license issued by the FCC upon a finding that grant of the license would serve the public interest, convenience and necessity. The FCC grants television broadcast station licenses for specific periods of time and, upon application, may renew the licenses for additional terms. Under the Communications Act, television broadcast licenses may be granted for a maximum permitted term of eight years. Generally, the FCC renews broadcast licenses upon finding that (i) the television station has served the public interest, convenience and necessity; (ii) there have been no serious violations by the licensee of the Communications Act or FCC rules and regulations; and (iii) there have been no other violations by the licensee of the Communications Act or FCC rules and regulations which, taken together, indicate a pattern of abuse. After considering these factors, the FCC may grant the license renewal application with or without conditions, including renewal for a lesser term than the maximum otherwise permitted, or hold an evidentiary hearing.

In February 1998, the FCC adopted a final table of digital channel allotments and rules for the implementation of digital television (DTV) service (including high-definition television) in the U.S. The digital table of allotments provides each existing full power television station licensee or permittee, including the 35 Fox Television Stations, with a second broadcast channel in order to facilitate a transition from analog to digital transmission, conditioned upon the surrender of one of the channels at the end of the DTV transition period. Thirty-three of the Fox Television Stations have launched digital facilities. The FCC granted the remaining two Fox Television Stations until May 1, 2003 to launch their digital facilities. Under FCC rules, television stations may use their second channel to broadcast either one or two streams of high definition digital programming or to multicast several streams of standard definition digital programming or a mixture of both. Broadcasters may also deliver data over these channels, provided that such supplemental services do not derogate the mandated, free over-the-air program service. FEG is currently formulating plans for use of its digital channels. It is difficult to assess how digital television will affect FEG s broadcast business with respect to other broadcasters and video program providers.

Under the Communications Act, a broadcast license may not be granted to or held by any corporation that has more than one-fifth of its capital stock owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. The Communications Act further provides that no FCC broadcast license may be granted to any corporation directly or indirectly controlled by any other corporation of which more than one-fourth of its capital stock is owned of record or voted by non-U.S. citizens if the FCC finds the public interest will be served by the refusal of such license. In 1995, the FCC acknowledged that News Corporation owns the vast preponderance of equity of the corporate parent of the Fox Television Stations. The FCC also concluded that Mr. K. Rupert Murdoch, Chairman and Chief Executive of News Corporation, a U.S. citizen, controls the corporate licensee and thus found the level of alien equity to be consistent with the public interest. Mr. Murdoch has 76% voting control of Fox Television Holdings, Inc., the corporate parent of Fox Television Stations, and News Corporation will continue to hold indirectly stock representing the majority of equity of the corporate licensee.

In 1999, thee FCC relaxed the rules that govern the ownership of two television stations, or a television station and a radio station, located in the same market (Local Restriction) to (i) permit the ownership of two television stations with overlapping coverage areas if the stations are in separate DMAs; (ii) permit common ownership of two stations in the same DMA if their Grade B coverage areas do not overlap or if eight independently owned full power television stations will remain after the stations which had been independently owned become commonly owned (which is referred to by the FCC as a merger), and one of the merged stations is not among the top four-ranked stations in the market, based on audience share. The FCC also

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relaxed the Local Restrictions to permit some degree of same-market radio and television joint ownership. These changes in the FCC ownership restrictions allowed Fox Television Stations to acquire second television stations in nine markets, including New York, Los Angeles, Chicago and Phoenix.

FCC rules permit a party to have an attributable ownership interest in an unlimited number of television stations nationally so long as the audience reach of such stations does not exceed, in the aggregate and after application of the UHF Discount, 35% of U.S. television households (the National Restriction). Pursuant to Congressional directive, the FCC conducted a formal review of all its broadcast ownership rules, and on June 20, 2000, released a decision in which it refused to modify the National Restriction and retained the UHF Discount. Fox Television Stations successfully appealed the FCC s decision to retain the National Restriction, and the Court remanded the rules to the FCC for further review. The FCC commenced an omnibus review of all its media ownership rules, including the National Restriction, as well as the Local Restriction, the dual network rule and the newspaper/broadcast cross-ownership rule. It is not possible to predict the timing or outcome of the omnibus proceeding or the effect of other changes in FCC rules or policies pursuant to the 1996 Telecommunications Act or pending FCC proceedings.

FCC regulations implementing the 1992 Cable Act require each television broadcaster to elect, at three-year intervals, either to (i) require carriage of its signal by cable systems in the station s market (must carry) or (ii) negotiate the terms on which such broadcast station would permit transmission of its signal by the cable systems within its market (retransmission consent). The FCC has initiated a rulemaking proceeding to determine carriage requirements for digital broadcast television signal on cable systems, including carriage during the period of transition from analog to digital signals. The Satellite Home Viewer Improvement Act of 1999 required satellite carriers, by January 1, 2002, to carry upon request all television stations located in markets in which the satellite carrier retransmits at least one local station pursuant to the copyright license provided in the statute. FCC regulations implementing this statutory provision require affected stations to either elect mandatory carriage at the same three year intervals applicable to cable must carry or to negotiate carriage terms with the satellite operators.

Legislation enacted in 1990 limits the amount of commercial matter that may be broadcast during programming designed for children 12 years of age and younger. In addition, under FCC license renewal processing guidelines, television stations are generally required to broadcast a minimum of three hours per week of programming, which, among other requirements, must have, as a significant purpose, the educational and informational needs of children 16 years of age and under. A television station found not to have complied with the programming requirements or commercial limitations could face sanctions, including monetary fines and the possible non-renewal of its license. The FCC has indicated its intent to enforce its children s television rules strictly.

The FCC continues to enforce strictly its regulations concerning indecent programming, political advertising, environmental concerns, equal employment opportunity, technical operating matters and antenna tower maintenance. FCC rules require the closed captioning of most broadcast and cable programming on a phased in basis, beginning in the year 2000. In addition, FCC regulations governing network affiliation agreements mandate that television broadcast station licensees retain the right to reject or refuse network programming in certain circumstances or to substitute programming that the licensee reasonably believes to be of greater local or national importance. Violation of FCC regulations can result in substantial monetary forfeitures, periodic reporting conditions, short-term license renewals and, in egregious cases, denial of license renewal or revocation of license.

Cable Network Programming

FCC regulations adopted pursuant to the 1992 Cable Act prevent a cable operator that has an attributable interest (including voting or non-voting stock ownership of 5% or more or limited partnership equity interests of 5% or more) in a programming vendor from exercising undue or improper influence over the vendor in its dealings with competitors to cable. The regulations also prohibit a cable programmer in which a cable operator has an attributable interest from entering into exclusive contracts with any cable operator or from discriminating among competing multi-channel program distributors in the price, terms and conditions of sale or delivery of programming. With respect to cable systems having channel capacity of less than 76 channels, the FCC s regulations limit to 40% the number of programming channels that may be occupied by video programming services in which the cable operator has an attributable interest. As a result of Liberty s ownership interest in News Corporation, cable networks operated by Fox Cable Networks Group and Fox News are subject to these requirements. Similarly, Cablevision is deemed to have an attributable interest in RPP. The FCC s program access and non-discrimination regulations therefore restrict the ability of these cable programming services to enter into exclusive contracts. The rules also permit multi-channel video programming distributors (such as multi-channel multi-point distribution services (MMDS), satellite master antenna televisions (SMATV), DBS and DTH operators) to bring complaints against FEG to the FCC charging they are unable to obtain the affected programming networks on nondiscriminatory terms. While

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cable systems are expanding their capacity, there may be instances in which a Cablevision system with 75 channels or less will not be able to carry an RPP channel or will have to remove another affiliated channel.

The FCC s regulations concerning the commercial limits in children s programs and political advertising also apply to certain cable television programming services carried by cable system operators. FEG must provide program ratings information and increased closed captioning of its cable programming services to comply with FCC regulations, which could increase its operating expenses.

The Children s Online Privacy Protection Act (COPPA) prohibits websites from collecting personally identifiable information online from children under age 13 without prior parental consent. Online services provided by FEG may be subject to COPPA requirements. Congress and individual states may also consider online privacy legislation that would apply to personal information collected from teens and adults.

United Kingdom

Television

BSkyB is subject to regulation principally in the U.K. and the European Community (EC). The regimes which principally affect its business are broadcasting, telecommunications and competition (anti-trust) laws and regulation. In addition to sector specific regulation, various of BSkyB s principal and other agreements and business practices are subject to review under U.K. and/or EC competition law.

Under U.K. and EC competition law, entities which are party to infringing agreements or which engage in infringing conduct may be fined substantially. In addition, infringing agreements may, unless exempted, be void in whole or in part and infringing conduct may be prohibited.

In December 2000, the Director General of Fair Trading (DGFT) commenced an investigation of BSkyB under The Competition Act 1998, and in particular, BSkyB s supply of wholesale pay television. This investigation replaced an ongoing review of undertakings given by BSkyB in 1996 under the Fair Trading Act 1973. On December 17, 2002, the DGFT announced that BSkyB had not been found in breach of competition law.

For a more detailed discussion of certain regulations affecting BSkyB, reference is made to the section entitled Government Regulation in Item 4: Information on the Company contained in the Annual Report on Form 20-F of BSkyB for its fiscal year ended June 30, 2002.

Australasia

Television

STAR broadcasts television programming over a footprint covering approximately 53 countries. Government regulation of direct reception and redistribution via cable or other means of satellite television signals, where it is addressed at all, is treated variously throughout STAR s footprint. At one extreme are absolute bans on private ownership of satellite receiving equipment, except for certain institutions and individuals, unless specific government approval is received. Examples of such countries include, but are not limited to, Vietnam and Singapore. Other countries, such as China, have adopted a less restrictive approach, opting to allow satellite dish owners to receive only authorized broadcasts. At the opposite end of the spectrum are countries such as Hong Kong, Taiwan, Thailand, the Philippines, the United Arab Emirates and Sri Lanka, where private satellite dish ownership is allowed and laws and regulations have been adopted which support popular access to satellite services through local cable redistribution.

Most television services in the Asia Pacific region, whether free or pay, are also subject to licensing requirements, although these requirements are imposed on the local broadcast operators who collect the subscription fees rather than on program suppliers, such as STAR, which license local broadcast operators to receive its programming. In addition, most countries in the Asia Pacific region control the content offered by local broadcast operators through censorship requirements to which program suppliers, such as STAR are also subject, with the censorship requirements for pay television generally being less stringent than those for free-to-air terrestrial television. Certain countries also impose obligations to carry government-operated or terrestrial channels (such as India) or require a minimum percentage of local content (such as mainland China, Indonesia and South Korea). Other countries, such as Malaysia and South Korea, require local broadcast operators to obtain government approval to retransmit foreign programming. In some countries, regulations are also enacted to limit viewership of satellite-delivered television through restrictions on the type of receiving equipment that is permitted, such as India, which licenses DTH services offered via Ku-band.

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Most countries within STAR s footprint have promulgated legislative regulatory frameworks for the satellite and cable television industry. Among additional categories of regulation of actual or potential significance to STAR are restrictions on foreign investment in broadcast businesses, uplink-downlink licensing regulations and copyright protection and enforcement.

Latin America

Each of the Latin American DTH platforms is subject to a specific regulatory regime in its home country. Each platform operates its satellite distribution business subject to a license that it or one of its partners holds. Licenses are currently held for operations in Brazil, Mexico, Colombia, Chile and Argentina. These licenses expire at various dates beginning in 2009.

Other International Regulation

Filmed Entertainment

In countries outside of the U.S., there are a variety of existing or contemplated governmental laws and regulations which may affect the ability of FFE to distribute and/or license its motion picture and television products to cinema, television or in-home media, including copyright laws and regulations which may or may not be adequate to protect its interests, cinema screen quotas, television quotas, contract term limitations, discriminatory taxes and other discriminatory treatment of U.S. products. The ability of countries to deny market access or refuse national treatment to products originating outside their territories is regulated under various international agreements including the World Trade Organization s General Agreement on Tariffs and Trade (GATT) and General Agreement on Trade and Services (GATS); however, these agreements have limited application with respect to preventing the denial of market access to audio-visual products originating outside the European Union.

General

Various aspects of News Corporation s activities are subject to regulation in numerous jurisdictions around the world. News Corporation believes that it is in material compliance with the requirements imposed by such laws and regulations. The introduction of new laws and regulations in countries where News Corporation s products and services are produced or distributed (and changes in the enforcement of existing laws and regulations in such countries) could have a negative impact on the interests of News Corporation.

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ORGANIZATIONAL STRUCTURE

The following is a list of News Corporation s principal subsidiaries. A full list of News Corporation s subsidiaries has been filed as Exhibit 8 to this report.

Subsidiary	Country of Incorporation	Percentage Ownership
Twentieth Century Fox Film Corporation	U.S.	80.6%*
Fox Television Holdings, Inc.	U.S.	80.6%**
Fox Broadcasting Company	U.S.	80.6%*
Fox Sports Networks, Inc.	U.S.	80.6%*
News America Marketing In-Store Services, Inc.	U.S.	100%
News International plc	U.K.	100%
News Limited	Australia	100%
HarperCollins Publishers, Inc.	U.S.	100%
HarperCollins Publishers Limited	U.K.	100%
STAR Group Limited	Cayman Islands	100%

* News Corporation holds 97.0% of the voting power of these entities.

** Mr. K. Rupert Murdoch, the Chairman and Chief Executive of News Corporation, owns all of the 7,600 outstanding shares of voting preferred stock of Fox Television Holdings, Inc. (FTH), representing 76% of the voting power of such company. Through such ownership, Mr. Murdoch has voting control over subsidiaries which hold interests in the Fox Television Stations Group. The voting preferred stock of FTH has a par value of $760,000 and cumulative dividends at the rate of 12% per annum. The voting preferred stock is subject to redemption by the affirmative vote of the holder or holders of 66 $^{2}/3$% of the issued and outstanding shares of common stock of FTH. All of the common stock of FTH, representing substantially all of the equity thereof, is owned by FEG (of which News Corporation owns 80.6% of the equity and 97.0% of the voting power).

PROPERTY, PLANTS AND EQUIPMENT

News Corporation owns and leases various real properties in the U.S, Latin America, Europe, Australia and Asia which are utilized in the conduct of its businesses (excluding real properties owned or leased by BSkyB, FOXTEL, INL, Sky Latin America, QPL and other entities described herein in which News Corporation holds less than a majority ownership interest). Each of these properties is considered to be in good condition, adequate for its purpose and suitably utilized according to the individual nature and requirements of the relevant operations. News Corporation s policy is to improve and replace property as considered appropriate to meet the needs of the individual operation.

United States

News Corporation s principal real properties in the U.S. are the following:

(a) The Fox Studios Lot, in Los Angeles, California, owned by FEG. The Fox Studios Lot consists of approximately 54 acres containing sound stages, production facilities, administrative, technical and dressing room structures, screening theaters and machinery, equipment facilities and three restaurants. FEG also leases approximately 320,000 square feet of office space at Fox Plaza, located adjacent to the Fox Studios Lot. In addition, FEG also owns Dodger Stadium, which is situated on approximately 275 acres of property in Los Angeles. FEG is a party to a sale-leaseback arrangement with civic authorities for Dodgertown, the Dodger s 64 acre spring training facility, and has entered into agreements to sell most of the adjacent 400 acre property in Vero Beach, Florida.

(b) The U.S. headquarters of News Corporation and FEG, located at 1211 Avenue of the Americas, New York, New York, consisting of an aggregate of approximately 700,000 square feet of leased building space. This space includes the editorial offices of the *New York Post* and *TV Guide* magazine, the executive offices of NAMG, and various operations of FEG including the offices and broadcast studios of Fox News.

(c) The headquarters of HarperCollins Publishers Inc. in New York, New York consisting of approximately 200,000 square feet of leased office space.

(d) The new state-of-the-art color newspaper printing plant of the *New York Post* (the *Post*) is located in a 494,700 square foot building on a 16.4 acre site in Bronx, New York.

Latin America

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FEG owns a studio facility in Rosarito, Mexico which consists of approximately 37 acres of land containing office space, production facilities and the largest fresh and salt water tanks used in motion picture production in the world.

Europe

News Corporation s principal real properties in Europe for newspaper production and printing facilities in the U.K. are located in Wapping (in East London), Knowsley (near Liverpool) and Kinning Park (in Glasgow) where *The Times, The Sunday Times, The Sun* and the *News of the World* are printed. The three newspaper production and printing facilities contain approximately 990,000, 487,000 and 150,000 square feet of building space, respectively. News Corporation owns the real property located at Kinning Park. With respect to the real property located at Wapping and Knowsley, News Corporation owns the buildings and leases on a long-term basis the land on which the buildings are situated. The headquarters of HarperCollins Publishers Limited (which also includes editorial offices) are located in London and consist of approximately 120,000 square feet of leased building space.

Australasia

News Corporation s principal real properties in Australasia are the following:

(a) The facility in Sydney (Chullora) at which *The Australian*, the *Daily Telegraph* and *The Sunday Telegraph* are printed. This facility, owned by News Limited, contains approximately 482,000 square feet of building space.

(b) The headquarters facility of News Corporation and News Limited in Sydney (Surry Hills), owned by News Limited, containing approximately 370,000 square feet of building space.

(c) The facility in Melbourne (Westgate Park) at which the *Herald-Sun* and the *Sunday Herald-Sun* are printed, owned by News Limited, containing approximately 524,000 square feet of space.

(d) The building in Adelaide utilized in publishing *The Advertiser* newspaper, owned by News Corporation, containing approximately 380,000 square feet of office and printing plant space.

(e) The facility in Adelaide (Mile End) at which *The Advertiser* and *The Sunday Mail* are printed, owned by News Limited, containing approximately 300,000 square feet of space.

(f) Fox Studios Australia, a wholly-owned subsidiary of FEG, has a lease expiring in 2036, with an option to renew for 10 years, over a 35 acre film and television production facility with industry related commercial office space in Sydney, Australia. Adjacent to that facility is a 25 acre cinema and retail complex leased by a joint venture between FEG and Lend Lease Corporation.

(g) The facilities used by STAR for its television broadcasting and programming operations are located in two locations in Hong Kong consisting of approximately 60,000 square feet of space owned in one location and approximately 130,000 square feet of space leased in the other location.

In addition, QPL owns or leases a total of approximately 1,213,000 square feet of building space utilized in its newspaper publishing operations. Of such total, approximately 1,167,000 square feet is situated in buildings owned by QPL.

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ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

This section should be read in conjunction with the Consolidated Financial Statements of The News Corporation Limited and Subsidiaries (News Corporation , TNCL or the Group) and related notes set forth elsewhere herein.

The Consolidated Financial Statements of News Corporation have been prepared in accordance with accounting principles generally accepted in Australia (A-GAAP) and are presented in Australian dollars. A-GAAP differs significantly in certain respects from accounting principles generally accepted in the United States (US-GAAP) as described in Note 20 to the Consolidated Financial Statements of News Corporation. See US-GAAP Reconciliation in this section for a comparison of revenue, operating income and net income (loss) under A-GAAP and US-GAAP.

Critical Accounting Policies

Our discussion and analysis of our financial condition and financial performance are based upon our consolidated financial statements, which have been prepared in accordance with A-GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosures of commitments and contingencies. On an ongoing basis, the Group evaluates its estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates. The following accounting policies require significant management judgments and estimates.

Inventories

Accounting for the production and distribution of filmed entertainment and television programming requires management s judgment as it relates to total revenues to be received and costs to be incurred throughout the life of each program or its license period. These judgments are used to determine the amortization of capitalized filmed entertainment and television programming costs associated with revenues earned and any fair value adjustments.

The Filmed Entertainment segment amortizes capitalized film costs on an individual film basis in the ratio that the current year s gross revenues bears to management s estimate of total ultimate gross revenues from all sources. Revenue forecasts for motion pictures reflect management s estimate of total revenues to be received throughout the life of each motion picture. Estimates of revenues are reviewed and reassessed periodically on a title-by-title basis and revised when warranted by changing conditions.

The Television segment amortizes the costs of multi-year sports contracts based on the ratio of each period s operating profit earned on the contract to the estimated total operating profit expected to be earned over the life of the contract from all segments. Estimates of total operating profit to be earned over the life of the contract are reviewed periodically and amortization is adjusted as necessary. Management s estimates of total operating profit over the life of the contract are primarily dependent upon its projections of the revenue to be derived from selling advertising spots during the games and other directly attributed revenue sources as well as direct selling costs and the direct costs associated with broadcasting the games or events. At the inception of these contracts and periodically thereafter, management evaluates the recoverability of the costs associated therewith against the revenues directly associated with the program material and related expenses. When an evaluation indicates that a multi-year contract will result in an ultimate loss, additional amortization is provided to recognize such loss in the current year.

Intangible Assets

The Group has significant intangible assets, FCC television station licenses, newspaper mastheads, distribution networks, sports franchises, publishing rights and goodwill. The Group accounts for its business acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying net assets, based on their respective estimated fair market values. Goodwill is recorded as the difference between the cost of acquiring an entity and the estimated fair market values assigned to its tangible and identifiable intangible net assets at the date of acquisition. Determining the fair market value of assets acquired and liabilities assumed requires management s judgment and often involves the use of significant

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estimates and assumptions, including, among others, assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples, among other items. The judgments made in determining the estimated fair market value assigned to each class of intangible assets acquired as well as their useful lives can significantly impact net profit (loss) attributable to members of the parent entity. Except for goodwill, no amortization is provided against the Group s intangible assets since, in the opinion of the Directors, the lives of the publishing rights, titles and television licenses are indefinite.

Recoverable Amount

The Group assesses potential impairment of non-current assets under the guidance of Australian Accounting Standards Board No. 1010, Recoverable Amounts of Non-Current Assets. The recoverable amount of publishing rights, titles and television licenses and goodwill has been determined by discounting the expected net cash inflows arising from their continued use or sale. Discounting has not been used to determine the recoverable amount of all other non-current assets.

Employee Costs

Superannuation and other postretirement benefit costs and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, health care cost trend rates, benefits earned, interest cost, expected return on plan assets, mortality rates and other factors. The Group s retirement benefit expense for superannuation plans is based on contributions payable to the retirement plans for the fiscal year, at rates determined by the actuary of the superannuation plans. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the Group s superannuation and other postretirement obligations.

Associated Entities

The Group accounts for investments in associated entities using the equity method of accounting, whereby investments in associated entities are initially recorded at cost and subsequently adjusted for increases or decreases in the Group s share of post-acquisition results and equity reserves of the associated entities. Investments in associated entities cannot exceed their recoverable amount. Management regularly reviews the carrying value of its investments in associated entities to determine if a diminution in value has occurred. In determining the recoverable amount, management considers the net undiscounted cash flows arising from the investment in associated entities and the subsequent value upon disposition.

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Results of Operations Fiscal 2002 vs. Fiscal 2001

The following table sets forth the Group s operating results by segment, for fiscal 2002 as compared to fiscal 2001.

	For the year ended June 30, (in millions)			
	2002	2001	Change	% Change
Revenues:				
Filmed Entertainment	A$ 7,714	A$ 6,795	A$ 919	14%
Television	8,160	6,838	1,322	19%
Cable Network Programming	3,569	2,696	873	32%
Magazines & Inserts	1,650	1,675	(25)	(1)%
Newspapers	4,604	4,600	4	0%
Book Publishing	2,059	1,907	152	8%
Other	1,258	1,067	191	18%
Total revenues	A$ 29,014	A$ 25,578	A$ 3,436	13%
Operating income:				
Filmed Entertainment	A$ 904	A$ 487	A$ 417	86%
Television	873	1,007	(134)	(13)%
Cable Network Programming	380	197	183	93%
Magazines & Inserts	448	437	11	3%
Newspapers	822	904	(82)	(9)%
Book Publishing	224	205	19	9%
Other	(109)	(144)	35	24%
Total operating income	A$ 3,542	A$ 3,093	A$ 449	15%
Net loss from associated entities	A$ (1,434)	A$ (249)	A$ (1,185)	(476)%
Net borrowing costs	(1,000)	(935)	(65)	(7)%
Dividends on exchangeable preferred securities	(93)	(90)	(3)	(3)%
Other revenues before tax	5,627	3,335	2,292	69%
Other expenses before tax	(17,601)	(4,609)	(12,992)	282%
Change in accounting policy before income tax		(1,107)	1,107	100%
Profit (loss) from ordinary activities before income tax	A$ (10,959)	A$ (562)	A$ (10,397)	(1,850)%
Income tax benefit (expense) on:				
Ordinary activities before change in accounting policy and other items	A$ (640)	A$ (428)	A$ (212)	(50)%
Other items	(15)	19	(34)	(179)%
Change in accounting policy		421	(421)	(100)%
Net income tax benefit (expense)	A$ (655)	A$ 12	A$ (667)	(5,558)%
Net profit (loss) from ordinary activities after tax	A$ (11,614)	A$ (550)	A$ (11,064)	(2,012)%
Net profit attributable to outside equity interests	(348)	(196)	(152)	(78)%
Net profit (loss) attributable to members of parent entity	A$ (11,962)	A$ (746)	A$ (11,216)	(1,503)%

Consolidated

News Corporation s consolidated revenues increased approximately 13% to A$29,014 million in fiscal 2002 from A$25,578 million in fiscal 2001. This increase was led by increased revenues at the Filmed Entertainment, Television and Cable Network Programming segments.

Consolidated operating income of A$3,542 million in fiscal 2002 increased approximately 15% as

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compared to A$3,093 million in fiscal 2001. The Filmed Entertainment and Cable Network Programming segments experienced strong performances, which were partially offset by a decrease from the Television segment.

Consolidated income before change in accounting policy and Other items was A$1,217 million in fiscal 2002 as compared to A$1,282 million in fiscal 2001, a decrease of approximately 5%. The decrease resulted from the increase in consolidated operating income discussed above, which was more than offset by increased net loss from associated entities, net borrowing costs and income tax expense.

Net loss from associated entities of A$1,434 million increased A$1,185 million from A$249 million in the prior year. The higher net loss was primarily due to the Group s share of British Sky Broadcasting Group plc s (BSkyB) write-off of its investment in KirchPayTV. Additionally, increased losses were due to unfavorable foreign exchange movements in our Latin American pay television platforms, the first-time inclusion of losses recognized from our Italian pay television platform Stream S.p.A. (Stream) and reduced profitability of Fox Sports Domestic Cable Networks primarily due to lower revenues and higher costs at Madison Square Garden, an entertainment company owned by Regional Programming Partners.

Net other items, after income tax expense of A$15 million, was a loss of A$11,989 million in fiscal 2002 as compared to a loss of A$1,255 million in fiscal 2001. The current year loss primarily relates to the write-downs in the Group s carrying value of its investments in Gemstar-TV Guide International, Inc. (Gemstar-TV Guide), Stream and KirchMedia. Also contributing to this loss was the Group s write-down of its U.S. national sports rights contracts for Major League Baseball (MLB), the National Association of Stock Car Auto Racing (NASCAR), the National Football League (NFL) and non-U.S. cricket programming rights. These write-downs were partially offset by the gain on the sale of the Group s interest in Fox Family Worldwide, Inc (FFW). Fiscal 2001 losses primarily related to the loss incurred for the restructuring of the Healtheon/WebMD transaction, the write-off of the One.Tel investment and increased new media related investment write-downs.

Filmed Entertainment

Revenues increased A$919 million, or approximately 14%, from A$6,795 million in fiscal 2001 to A$7,714 million in fiscal 2002. This increase is due to the worldwide theatrical and home entertainment and domestic pay-television performance of *Planet of The Apes*, domestic theatrical and home entertainment performance of *Kiss of the Dragon*, the worldwide theatrical performance of *Ice Age*, the worldwide home entertainment performances of *Moulin Rouge* and *Dr. Dolittle 2* and library titles released on DVD. Fiscal 2001 results included the worldwide theatrical and worldwide home entertainment and domestic pay-television performance of *X-Men*, the international television sales of *Titanic* and the worldwide home entertainment performance of library titles. Additionally, at Twentieth Century Fox Television (TCFTV), increased syndication revenues for *NYPD Blue* and *King of the Hill*, higher license fees for *Buffy the Vampire Slayer*, *Dharma and Greg* and *The Practice* and increased worldwide home entertainment and international free-television revenues for *The Simpsons* contributed to the increase in revenues. Operating income increased to A$904 million in fiscal 2002 from A$487 million in fiscal 2001, an increase of approximately 86%. This increase is due to the revenue increases noted above, compared to the prior s year results, which were partially offset by the disappointing results of *Monkeybone*, *Say It Isn t So* and *The Legend of Bagger Vance*.

Television

Revenues increased A$1,322 million, or approximately 19% from A$6,838 million in fiscal 2001 to A$8,160 million in fiscal 2002. This increase in revenues is due primarily to the inclusion of the Chris-Craft Industries, Inc. (Chris-Craft) television stations that were acquired in July 2001, and the increase in advertising revenues from the telecast of the Super Bowl at Fox Broadcasting Company (FOX), which was not telecast on FOX in the prior year. Also impacting revenues were an estimated 1.4 percentage point gain in market share over the prior year at the Fox Television Stations (FTS), A$162 million of revenue recognized from the sale of the MLB divisional series rights to ABC Family, and increased advertising revenue for MLB due to additional postseason games compared to the prior year. Partially offsetting these increases was the soft advertising environment prevalent for much of the year in the U.S., which was further weakened by the terrorist attacks on September 11th. Operating income decreased to A$873 million in fiscal 2002 from A$1,007

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million in fiscal 2001, a decrease of approximately 13%. The decrease in operating income was primarily related to increased programming costs at FTS and at FOX resulting from more MLB games shown than in the prior year and higher primetime license fees, the telecast of the Super Bowl during fiscal 2002 and license fees for *Star Wars Episode I: The Phantom Menace*.

At STAR, continued increases in both subscriber and advertising revenues contributed to overall revenue growth for fiscal 2002 as compared to fiscal 2001. Increased subscription revenues were generated from pricing increases and subscriber growth. Advertising revenue increases are attributable to *Kahaani Ghar Ghar Ki* and *Kyunki Saas Bhi Kabhi Bahu Thi*, the top Indian cable shows on STAR Plus (cable and satellite channel in India). These revenue gains were partially offset by increased programming costs at STAR News and increased production costs.

Cable Network Programming

Revenues of A$3,569 million increased 32% as compared to fiscal 2001 revenues of A$2,696 million due to a combination of subscriber growth and improved ratings primarily at the Fox News Channel (Fox News) and FX Channel (FX), as well as the acquisition of Speed Channel in July 2001. At Fox News, a 72% increase in advertising revenue was driven by improved ratings, partially offset by lower national sell-out and pre-emptions. Affiliate revenues increased 31% at Fox News which was attributable to an 18% increase in subscribers. As of June 30, 2002, Fox News reached 80 million U.S. cable and DBS households, an increase of 12 million households over the prior year. FX affiliate revenues increased 22%, reflecting a 20% increase in average households over the prior year. As of June 30, 2002, FX reached over 78 million U.S. DBS and cable households, an increase of 13 million households over the prior year. Despite the difficult advertising sales market, FX advertising revenues increased 26% over the prior year, as the result of an increase in average audience and higher ratings, primarily due to the success of *The Shield*, which was partially offset by declines in pricing. Affiliate revenues increased 13% at the Fox Sports Regional Sports Networks (RSNs) primarily from increased average cable rates per subscriber, as well as increases in total reached U.S. cable and DBS households. Operating income increased 93% to A$380 million as compared to A$197 million in fiscal 2001. This significant increase relates primarily to the increased revenues across all channels. Fox News improved results were driven by significant gains in subscriber base and advertising revenues from higher pricing and improved ratings, which was only partially offset by higher costs associated with breaking news events and programming expenses. At the RSNs, increased affiliate revenues were partially offset by increased operating expenses related to an increased number of professional sports events and higher average rights fees associated with new professional sports rights agreements at the RSNs. FX revenue increases of 17% were only partially offset by increased programming and marketing expenses due to the fall line-up and *The Shield*.

Magazines and Inserts

Revenues of A$1,650 million in fiscal 2002 decreased A$25 million as compared to A$1,675 million reported in fiscal 2001. Operating income increased from A$437 million to A$448 million in fiscal 2002. In local currency, Magazine and Inserts revenues decreased US$40 million, or 4%, due to lower advertising volume and rates from free-standing inserts and lower revenue from instant coupon machines. In local currency, operating income decreased US$1 million as cost reductions in printing, paper, media and field expenses were more than offset by the revenue shortfalls noted above.

Newspapers

Revenues were flat at A$4,604 million in fiscal 2002 compared to A$4,600 million in fiscal 2001. Operating income decreased by 9% to A$822 million in fiscal 2002 from A$904 million in fiscal 2001. In the U.K., lower advertising volume and advertising rates were partially offset by circulation revenue gains across all major titles due to cover price increases and a decrease in production costs. In Australia, lower advertising revenues and higher newsprint costs were partially offset by increased circulation revenue due to cover price increases. In the U.S., increased circulation and advertising revenue were more than offset by increased costs related to the new printing plant at the *New York Post*.

Book Publishing

Revenues increased approximately 8% from A$1,907 million in fiscal 2001 to A$2,059 million in fiscal 2002. Operating income was A$224 million, a 9% increase over the prior year s operating income of A$205 million. These increases were driven by the strong performance in the U.K. of Pamela Stephenson s biography of comedian Billy Connolly and J.R.R. Tolkien s *Lord of the Rings* Trilogy, coupled with a successful children s program and local publishing programs in Canada and Australia/New Zealand.

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HarperCollins had 106 titles on the *New York Times* bestsellers list during the year, including nine titles that reached the number 1 spot.

Net (loss) from associated entities

Net loss from associated entities of A$1,434 million increased A$1,185 million from A$249 million in fiscal 2001.

	For the year ended June 30, (in millions)			
	2002	2001	Change	% Change
The Group s share of the profit (loss) after income tax of its associated entities consist principally of:				
BSkyB	A$ (51)	A$ (76)	A$ 25	33%
Stream	(66)		(66)	
Sky Latin America:				
Net Sat Servicos Ltda (Brazil)	(120)	(101)	(19)	(19)%
Innova, S. de R.L. de C.V. (Mexico)	(92)	(52)	(40)	(77)%
Other	(78)	(63)	(15)	(24)%
Fox Sports Domestic Cable (USA)	33	89	(56)	(63)%
FOXTEL	(15)	(11)	(4)	(36)%
ESPN Star Sports	(11)	(23)	12	52%
Other associated entities	86	75	11	15%
Operating (loss) after income tax before other items	A$ (314)	A$ (162)	A$ (152)	(94)%
Other items after income tax	(1,120)	(87)	(1,033)	(1,187)%
Operating (loss) after income tax and other items	A$ (1,434)	A$ (249)	A$ (1,185)	(476)%

The higher net loss was primarily due to the Group s share of BSkyB s write-off of its investment in KirchPayTV. Additionally, increased losses were due to the unfavorable foreign exchange movements in our Latin American pay television platforms, losses recognized from our Italian pay television platform Stream and reduced profitability of Fox Sports Domestic Cable Networks primarily due to lower revenues and higher costs at Madison Square Garden.

Net borrowing costs

Net borrowing costs increased to A$1,000 million in fiscal 2002 from A$935 million in fiscal 2001. This increase is due to lower rates of return on cash balances, which was partially offset by a decrease in interest expense due to the redemption of certain debt.

Other items before tax

Other items before tax of A$11,974 million in fiscal 2002 was A$10,700 higher than the loss of A$1,274 million in fiscal 2001. The fiscal year loss primarily relates to the write-downs in the Group s carrying value of its investments in Gemstar-TV Guide, Stream and KirchMedia. Also contributing to this loss was the Group s write-down of its U.S. national sporting contracts for MLB, NASCAR, the NFL and non-U.S. cricket programming rights. These write downs were partially offset by the gain on the sale of the Group s interest in FFW. Fiscal 2001 losses primarily related to the loss incurred for the restructuring of the Healtheon/WebMD transaction, the write-off of the One.Tel investment and increased new media related investment write-downs.

Net income tax benefit (expense)

Net income tax expense of A$655 million during fiscal 2002 decreased from a benefit of A$12 million during fiscal 2001. Net income tax expense of A$655 million was recognized in fiscal 2002 as opposed to an income tax benefit of A$2,858 million that would have been recognized if the statutory rate had been applied without adjustments. The difference is primarily due to the exclusion of the Gemstar-TV Guide write-down, as it is not expected to be realized in the future.

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Results of Operations Fiscal 2001 vs. Fiscal 2000

The following table sets forth the Group s operating results; by segment, for fiscal 2001 as compared to fiscal 2000.

	For the year ended June 30, (in millions)			
	2001	2000	Change	% Change
Revenues:				
Filmed Entertainment	A$ 6,795	A$ 6,269	A$ 526	8%
Television	6,838	5,689	1,149	20%
Cable Network Programming	2,696	2,005	691	34%
Magazines & Inserts	1,675	1,585	90	6%
Newspapers	4,600	4,448	152	3%
Book Publishing	1,907	1,634	273	17%
Other	1,067	813	254	31%
Total revenues	A$ 25,578	A$ 22,443	A$ 3,135	14%
Operating income:				
Filmed Entertainment	A$ 487	A$ 155	A$ 332	214%
Television	1,007	1,153	(146)	(13)%
Cable Network Programming	197	120	77	64%
Magazines & Inserts	437	411	26	6%
Newspapers	904	870	34	4%
Book Publishing	205	141	64	45%
Other	(144)	(108)	(36)	(33)%
Total operating income	A$ 3,093	A$ 2,742	A$ 351	13%
Net loss from associated entities	A$ (249)	A$ (298)	A$ 49	16%
Net borrowing costs	(935)	(814)	(121)	(15)%
Dividends on exchangeable preferred securities	(90)	(79)	(11)	(14)%
Other revenues before tax	3,335	4,147	(812)	(20)%
Other expenses before tax	(4,609)	(2,961)	(1,648)	(56)%
Change in accounting policy before income tax	(1,107)		(1,107)	%
Profit (loss) from ordinary activities before income tax	A$ (562)	A$ 2,737	A$ (3,299)	(121)%
Income tax benefit (expense) on:				
Ordinary activities before change in accounting policy and other items	A$ (428)	A$ (225)	A$ (203)	(90)%
Other items	19	(454)	473	104%
Change in accounting policy	421		421	%
Net income tax benefit (expense)	A$ 12	A$ (679)	A$ 691	102%
Net profit (loss) from ordinary activities after tax	A$ (550)	A$ 2,058	A$ (2,608)	(127)%
Net profit attributable to outside equity interests	(196)	(137)	(59)	(43)%
Net profit (loss) attributable to members of parent entity	A$ (746)	A$ 1,921	A$ (2,667)	(139)%

Consolidated

News Corporation s consolidated revenues increased approximately 14% to A$25,578 million in fiscal 2001 from A$22,443 million in fiscal 2000. This increase was primarily due to increased revenues at the Cable Network Programming, Book Publishing and Television segments.

Consolidated operating income of A$3,093 million in fiscal 2001 increased approximately 13% as compared to operating income of A$2,742 million in fiscal 2000. The Filmed Entertainment, Book Publishing and Cable Network Programming segments experienced strong performances, which were partially offset by a

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decrease from the Television segment.

Consolidated income before change in accounting policy and Other items was A$1,282 million in fiscal 2001 as compared to A$1,259 million in fiscal 2000, an increase of approximately 2%. The increase resulted principally from the increase in consolidated operating income discussed above, which was partially offset by increased net borrowing costs and income tax expense.

Net loss from associated entities of A$249 million decreased A$49 million from A$298 million in the prior year. The lower net loss was primarily due to the increased results of BSkyB, the domestic associates of Fox Sports Networks, LLC (Fox Sports Networks) and FOXTEL, partially offset by decreased results of certain Sky Latin America satellite platforms and STAR s associates. BSkyB reported higher results for fiscal year 2001 principally driven by subscriber growth, which was partially offset by higher losses at its equity affiliates, British Interactive Broadcasting and KirchPayTV. FOXTEL s increases were driven by a 17% growth in the number of subscribers. Some of Fox Sports domestic associates experienced increased subscribers and higher advertising revenues, which more than offset the increased expenses and reduced advertising revenues of other associates.

Net other items after tax benefit of A$19 million, was a loss of A$1,255 million in fiscal 2001 as compared to income of A$732 million in fiscal 2000. The decrease primarily relates to losses incurred for the restructuring of the Healtheon/WebMD transaction, the write-off of the One.Tel investment and increased new media related investment write-downs during fiscal 2001. In addition, prior year s net other items after tax included a non-recurring gain recognized on the initial public offering of NDS Group plc (NDS).

Change in Accounting Policy

At the beginning of fiscal 2001, the Group, under both A-GAAP and US-GAAP, adopted Statement of Position (SOP) 00-2, Accounting by Producers or Distributors of Films, (SOP 00-2), which established new accounting standards for producers and distributors of films and supersedes Statement of Financial Accounting Standards No. 53. SOP 00-2 establishes new accounting standards for, among other things, marketing and development costs. Effective July 1, 2000, the Group recorded a one-time, non-cash charge of A$1,107 million as a change in accounting policy before tax. Under US-GAAP the charge of A$686 million, net of $421 million tax, is included in the consolidated statement of operations as a cumulative effect of accounting change. This charge primarily reflects the write-off of marketing and certain development costs in accordance with SOP 00-2. Subsequent to the adoption of SOP 00-2, the Group s accounting policy, under both A-GAAP and US-GAAP, is to expense marketing and certain development costs as incurred.

Filmed Entertainment

Revenues increased A$526 million or approximately 8% from A$6,269 million in fiscal 2000 to A$6,795 million in fiscal 2001. Operating income increased to A$487 million in fiscal 2001 as compared to A$155 million in fiscal 2000, an increase of approximately 214%. The fiscal 2001 results included the strong worldwide theatrical and video performance of *X-Men*, strong growth in video catalog sales primarily due to growth in the DVD market, the broadcast network release of *Titanic* and the solid performance of releases in international free television markets. These results were partially offset by losses from *Monkeybone*, *The Legend of Bagger Vance* and *Say It Isn t So*. At the beginning of fiscal 2001, the Group adopted SOP 00-2 changing its film accounting policies; accordingly operating income was further offset by the releasing costs for *Moulin Rouge*, *Dr. Dolittle 2*, *Planet of the Apes* and *Kiss of the Dragon*, which are now, under SOP 00-2, expensed as incurred. These results are compared to fiscal 2000 results, which included the poor performances of *Brokedown Palace*, *Anna and the King*, *Light It Up*, *Bartok* and *Titan AE*.

TCFTV completed another highly successful year by maintaining its position as the leading supplier of prime time shows to the networks, with 24 series being picked up for the Fall 2001 season including eight new shows. TCFTV also has four series entering syndication at the end of the first quarter of fiscal 2002, including *The Practice*, *King of the Hill*, *Buffy the Vampire Slayer* and *Ally McBeal*. During fiscal 2001, TCFTV increased operating results primarily due to greater gross profit from *The Practice* due to the renegotiated license fees and from *Buffy the Vampire Slayer* due to increased international and home video.

Television

Revenues increased A$1,149 million, or approximately 20%, from A$5,689 million in fiscal 2000 to A$6,838 million in fiscal 2001. Operating income decreased to A$1,007 million, or approximately 13%, in fiscal 2001 from A$1,153 million in fiscal 2000. Operating results were greatly affected by the negative impact

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of the weak advertising market in the United States and increased programming, broadcasting and news costs at FTS, as well as the approximate US$71 million loss at FOX resulting from the short duration and lower ratings of the MLB post-season divisional play-offs and World Series in October 2000.

At STAR continued increases in both advertising and subscriber revenues contributed to overall revenue growth for fiscal 2001 as compared to fiscal 2000. A strong advertising market primarily in India at STAR Plus drove this growth. These revenue gains were partially offset by higher spending on local language programming and popular movies, which were acquired to further drive the platform s distribution and ratings.

Cable Network Programming

Revenues of A$2,696 in fiscal 2001 increased significantly over fiscal 2000 revenues of A$2,005 million due to a combination of subscriber growth and advertising revenue increases primarily at FX and Fox News. Operating income was reported at A$197 million as compared to A$120 million in fiscal 2000. These significant increases relate primarily to the improved operating performance at Fox News, as well as higher earnings from FX, partially offset by lower contributions from the RSNs. Fox News generated positive operating income for the year as compared to losses in the prior year. Improved results were driven by significant gains in subscriber base and advertising revenues from higher pricing and improved ratings. The Fox News currently has approximately 68 million cable and DBS households, up from 51 million in the prior year. At Fox Sports Networks, increased pricing related to advertising revenues and higher average rates per subscriber related to affiliate and DTH revenues, combined with a growing subscriber base, drove up revenues at FX. These increased revenues were partially offset by increased operating expenses related to an increased number of professional sports events and higher average rights fees associated with new professional sports rights agreements at the RSNs. These revenues were further offset by first-year broadcast costs associated with the recently completed MLB cable deal and NASCAR events at the RSNs and at FX, respectively.

Magazines and Inserts

Revenues of A$1,675 million in fiscal 2001 were approximately 6% higher than the A$1,585 million reported in fiscal 2000. Operating income increased from A$411 million to A$437 million in fiscal 2001. Due to foreign exchange fluctuations, in local currency, Magazine and Inserts revenues decreased US$95 million or 10% and operating income decreased US$23 million or 9%. These results reflect lower packaged goods advertising pages and lower advertising rates for the free-standing inserts business. In-store s results reflect decreased instant coupon machine revenues.

Newspapers

Revenues increased approximately 3%, from A$4,448 million in fiscal 2000 to A$4,600 million in fiscal 2001. Operating income increased by 4% to A$904 million in fiscal 2001. The U.K. newspapers primarily drove improved fiscal 2001 results. At the U.K. newspapers, higher advertising revenues due to strong yield and increased classified advertising, particularly at *The Sunday Times* and *The Sun*, were partially offset by increased editorial and production costs. Also offsetting these gains, were increased editorial and promotional expenses at the Australian newspapers, which was used to bolster circulation and advertising sales in the lead-in to the Olympics.

Book Publishing

Revenues increased approximately 17% from A$1,634 million in fiscal 2000 to A$1,907 million in fiscal 2001. Operating income was A$205 million, a 45% increase over the prior year s income of A$141 million. The segment s growth is related to higher margin title sales following the acquisition of William Morrow & Company and Avon Books businesses, which were acquired in fiscal 2000. The Group enjoyed particularly strong performances from Children s Books, HarperCollins UK and Zondervan.

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Net (loss) from associated entities

Net loss from associated entities of A$249 million decreased A$49 million from A$298 million in fiscal 2000.

	For the year ended June 30,			
	(in millions)			
	2001	2000	Change	% Change
The Group s share of the profit (loss) after income tax of its associated entities consist principally of:				
BSkyB	A$ (76)	A$ (150)	A$ 74	49%
Stream				
Sky Latin America:				
Net Sat Servicos Ltda (Brazil)	(101)	(71)	(30)	(42)%
Innova, S. de R.L. de C.V. (Mexico)	(52)	(57)	5	9%
Other	(63)	(40)	(23)	(58)%
Fox Sports Domestic Cable (USA)	89	56	33	59%
FOXTEL	(11)	(12)	1	8%
ESPN Star Sports	(23)	(25)	2	8%
Other associated entities	75	71	4	6%
Operating (loss) after income tax before other items	A$ (162)	A$ (228)	A$ 66	29%
Other items after income tax	(87)	(70)	(17)	(24)%
Operating (loss) after income tax and other items	A$ (249)	A$ (298)	A$ 49	16%

The lower net loss was primarily due to the increased results of BSkyB, the domestic associates of Fox Sports Networks, and FOXTEL, partially offset by decreased results of certain Sky Latin America satellite platforms and STAR s associates. BSkyB reported higher results for fiscal year 2001 principally driven by subscriber growth, which was partially offset by higher losses at its equity affiliates, British Interactive Broadcasting and KirchPayTV. FOXTEL s increases were driven by a 17% growth in subscribers. Some of Fox Sports domestic associates experienced increased subscribers and higher advertising revenues, which more than offset the increased expenses and reduced advertising revenues of other associates.

Net borrowing costs

Net borrowing costs increased to A$935 million in fiscal 2001 from A$814 million in fiscal 2000. As most outstanding obligations are denominated in US dollars, the weakened US dollar against the Australian dollar resulted in an increase in net borrowing costs.

Other items before tax

Other items before tax was a loss of A$1,274 million in fiscal 2001 as compared to income of A$1,186 million in fiscal 2000. The decrease primarily relates to losses incurred for the restructuring of the Healtheon/WebMD transaction, the write-off of the One-Tel investment and increased new media related investment write-downs during fiscal 2001. In addition, prior year s net abnormal items after tax included a non-recurring gain recognized on the initial public offering of NDS.

Net income tax benefit (expense)

Net income tax expense of A$679 million during fiscal 2000 decreased to a benefit of A$12 million during fiscal 2001. Net income tax benefit of A$12 million during fiscal 2001 differs from a benefit of A$106 million that would have been recognized if the statutory rate had been used without adjustments. This difference was primarily due to foreign income being taxed at a higher rate than the statutory rate.

Liquidity and Capital Resources

The Group s principal sources of cash flow are internally generated funds. As additional sources of funding, the Group has access to the worldwide capital markets, an unused US$2.0 billion Revolving Credit Facility (the Revolving Credit Agreement) and various film financing alternatives and as of June 30, 2002, the Group had consolidated cash and cash equivalents of A$6.3 billion. Management of the Group believes

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that funds available from cash flows from operations and alternative sources will be adequate for the Group to conduct its operations. The Group s internally generated funds are highly dependent upon the state of the advertising market and public acceptance of film products. Any significant decline in the advertising market or the performance of its films could adversely impact its cash flows from operations.

The principal uses of cash flow that affect the Group s liquidity position include the following: investments in the production and distribution of new feature films and television programs, the acquisition of and payments under programming rights for entertainment programming and sporting events, operational expenditures, capital expenditures, investments in associated entities, interest expense and income tax payments.

Cash flows provided by operating activities during the fiscal years ended June 30, 2000, 2001 and 2002 were A$533 million, A$920 million and A$3,078 respectively. During the year ended June 30, 2002, higher operating profit of A$449 million, decreased inventories due to higher amortization as compared to investments in the production of new feature films and television programs and increased collections on receivables at Fox Broadcasting Company contributed to the increase in cash provided by operating activities. The increase in cash from operating activities in 2001 as compared to fiscal 2000 was primarily due to a lower overall investment in certain working capital items.

Cash used in investing activities were A$1,487 million, A$1,779 million, while cash provided by investing activities was A$400 million for the years ended June 30, 2000, 2001 and 2002, respectively. The year ended June 30, 2002 included proceeds from the sales of FFW and Outdoor Life, partially offset by investments in Stream, National Geographic Channels and the Latin American pay television platforms. Investing activities in fiscal 2001 were A$292 million greater than fiscal 2000 primarily due to A$442 million increase in capital expenditures related to the construction of the new printing plant facility for the *New York Post*.

Cash flows used in financing activities were A$2,333 million during fiscal year 2002. Fiscal 2001 had cash flows provided by financing activities of A$1,188 million. Fiscal 2000 had cash flows used in financing activities of A$2,631 million. During fiscal year 2002, the Group redeemed A$1,639 million of debt and A$443 million related to the settlement of the MCI and other obligations. Financing activities in fiscal 2001 included US$757 million in proceeds from the issuance of US$1,515 million maturity value of Liquid Yield Option Notes (LYONs) due in 2021 and a lower buyback of preferred shares as compared to the prior year.

In May 1993, News Corporation entered into a US$2.0 billion Revolving Credit Agreement, as amended. The Revolving Credit Agreement and the indentures governing certain debt instruments (the Indentures) each contain various covenants affecting News Corporation. Covenants and provisions contained in the Revolving Credit Agreements among other things: (i) prohibit the News Corporation Group, as defined in the Revolving Credit Agreement, from incurring indebtedness if at the time of such incurrence a default under the Revolving Credit Agreement has occurred and is still continuing; (ii) require the News Corporation Group to maintain certain financial ratios; and (iii) limit certain corporate acts of the News Corporation Group, such as the creation of liens and the entrance into transactions with affiliates. Among other things, the Indentures limit News Corporation s ability to (i) incur, issue, assume, guarantee or otherwise become liable with respect to indebtedness; (ii) purchase, redeem or otherwise acquire or retire for value, prior to any scheduled maturity, scheduled repayment or scheduled sinking fund payment, and subordinated indebtedness; (iii) enter into transactions with affiliates; (iv) make investments (but such limitation applies only to investments in affiliates); (v) create, assume, incur or suffer to exist liens on property; (vi) use the proceeds from asset sales; and (vii) pay dividends or make distributions.

The Revolving Credit Agreement permits borrowings of U.S. dollars, the British pounds sterling and Australian dollars; the three principal currencies of the Group s operations. These currencies operate as the functional currency for the Group s U.S., U.K. and Australian operations, respectively. Cash is managed centrally within each of the three countries with net earnings reinvested locally and working capital requirements met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, drawdowns in the appropriate local currency are available under the Revolving Credit Agreement. For additional information regarding our foreign currency position and the management of our foreign currency exchange risk, see ITEM 11 Quantitative and Qualitative Disclosure about Market Risk .

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News Corporation was in compliance with all covenants and had satisfied all financial ratios and tests contained in its long-term debt obligations as of June 30, 2002 and expects to remain in compliance and satisfy all such financial ratios and tests. News Corporation expects that compliance with the covenants contained in its long-term debt obligations will not have a material adverse effect on its business and operations.

As of June 30, 2002, News Corporation s debt ratings, by Moody s (Ba1 for subordinated notes and Baa3 for senior unsecured notes) and Standard & Poors (BBB-) were within the investment grade scale.

As of June 30, 2002, News Corporation had A$6,337 million of funds on deposit and A$3,546 million available unrestricted credit facilities, primarily under the Revolving Credit Agreement.

Redemptions of Debt

During fiscal year 2002, the Group redeemed A$1,639 million of debt. The Group recognized an aggregate loss of approximately A$111 million on the following early extinguishments of debt.

In December 2001, the Group completed its offer to purchase for cash its entire outstanding US$300 million aggregate principal amount of 10 $^{1}/8$% Senior Debentures due 2012 (the Debentures). Approximately 90% of these Debentures were tendered and accepted for payment.

In February 2002, the Group redeemed all of its outstanding US$170 million aggregate principal amount of 8 $^{3}/4$% Senior Subordinated Notes due 2006.

In March 2002, the Group offered to purchase for cash any and all of its outstanding US$500 million aggregate principal amount of 8 $^{5}/8$% Senior Notes due 2003. Approximately 92% of these Notes were tendered and accepted for payment.

In March 2002, the Group redeemed its entire outstanding US$8 million aggregate principal amount of Zero Coupon Exchangeable Notes due in March 2002.

Additionally, in June 2002, the Group and Fox Sports Networks, irrevocably called for redemption of all of the outstanding 8.875% Senior Notes and the 9.75% Senior Discount Notes. The Group recognized a loss of A$80 million on this irrevocable early extinguishment of debt.

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The Group has commitments under certain firm contractual arrangements (firm commitments) to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The following table summarizes the Group s material firm commitments at June 30, 2002 and the timing of such obligations in future periods.

	In millions Payments Due by Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
Contracts for Capital Expenditure					
Buildings	A$ 16	A$	A$	A$	A$ 16
Plant and machinery	127	18	3	1	149
	A$ 143	A$ 18	A$ 3	A$ 1	A$ 165
Operating Leases (a)					
Land and buildings	A$ 284	A$ 505	A$ 440	A$ 2,445	A$ 3,674
Plant and machinery	48	49	22	8	127
	A$ 332	A$ 554	A$ 462	A$ 2,453	A$ 3,801
Other Commitments					
Unsecured loans payable (b)	A$ 1,799	A$ 887	A$	A$ 12,605	A$ 15,291
Term loans (b)	57	93			150
Exchangeable preferred securities (b)				1,690	1,690
New Millennium II Preferred Interest	1,021	424	62		1,507
News America Marketing (c)	59	80	6		145
Major League Baseball (d)	592	1,356	1,589		3,537
National Football League (e)	1,020	2,642	1,445		5,107
National Association Stock Car Auto Racing (f)	356	879	950	688	2,873
Cricket (g)	174	149	406		729
Commitment for purchase of TV Station (h)	754				754
Other programming commitments (i)	1,573	1,554	1,196	2,753	7,076
Other obligations	452	653	175	333	1,613
	A$ 7,857	A$ 8,717	A$ 5,829	A$ 18,069	A$ 40,472
Total commitments, borrowings and contractual obligation	A$ 8,332	A$ 9,289	A$ 6,294	A$ 20,523	A$ 44,438

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The Group also has certain contractual arrangements in relation to certain associates that would require the Group to make payments or provide funding if certain circumstances occur (contingent guarantees). The Group does not expect that these contingent guarantees will result in any amounts being paid by the Group in the foreseeable future. The timing of the amounts presented in the table below reflect when the maximum contingent guarantees will expire and does not indicate that the Group expects to incur an obligation to make payments during that time frame.

	In millions Amount of Commitment Expiration Per Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
FOXTEL (j)	A$ 12	A$ 24	A$ 24	A$ 148	A$ 208
STAR (k)	77	76			153
Transponder leases guarantees (l)	55	110	104	406	675
Chicago RSN (m)	76	165	186	1,434	1,861
Star Channel Japan (n)	48		42		90
	A$ 268	A$ 375	A$ 356	A$ 1,988	A$ 2,987

(a) The Group leases transponders, office facilities, warehouse facilities, equipment and microwave transmitters used to carry its broadcast signals. These leases, which are classified as operating leases, expire at various dates through 2016. In addition, the Group leases various printing plants which expire at various dates through 2094.

(b) TNCL has guaranteed borrowings of controlled entities of A$15,441 million (2001 A$18,805 million). Additionally, TNCL has film distribution agreement guarantees in respect of controlled entities of A$1,507 million (2001 A$1,663 million). Under the terms of deeds of indemnity, any deficiency of funds, if any Australian wholly-owned controlled entity is wound up, will be met by the parent entity.

(c) News America Marketing (NAM), a leading provider of in-store marketing products and services primarily to consumer packaged goods manufacturers, enters into minimum guarantee agreements with retailers.

(d) The Group s six-year contract with MLB grants the Group rights to telecast certain regular season and all post-season MLB games. The contract began with the 2001 MLB season and ends with the 2006 MLB season. The remaining future scheduled payments for telecast rights to such MLB games aggregated approximately US$1,995 million as of June 30, 2002 before sublicense fees are considered. For the duration of its contract with MLB, the Group has sublicensed telecast rights to certain MLB post-season games to the The Walt Disney Company (Disney), and is entitled to be paid the remaining sublicense fee aggregating US$590 million over the remaining term. The amounts reflected on this schedule have not been reduced by the sublicense.

(e) Under the Group s eight-year contract with the NFL through 2006, which contains certain termination clauses, remaining future minimum payments for program rights to broadcast certain football games aggregated approximately US$2,880 million as of June 30, 2002, and are payable over the remaining five-year term of the contract assuming no early terminations.

(f) The Group s contracts with NASCAR, which contains certain termination clauses, gives the Group rights to broadcast certain NASCAR races through fiscal 2009 and exclusive NASCAR content rights as well as the NASCAR brand to be exploited with a new NASCAR cable channel or the existing Speed Channel through fiscal 2013. The remaining future minimum payments aggregated approximately U.S. $1,621 million as of June 30, 2002 and are payable over the terms assuming no early terminations.

(g) The Group has acquired the exclusive rights to transmit and exploit the signals for the 2003 and 2007 Cricket World Cups and other related International Cricket Council (ICC) cricket events for a minimum guarantee of US$550 million through fiscal 2008. The Group has guaranteed this contract and has been granted the right of first refusal and the last right to match for the broadcast rights in their respective territories. As of June 30, 2002, the remaining minimum guarantee is US$411 million over the remaining term.

(h) In June 2002, the Group entered into an agreement to acquire WPWR-TV in Chicago from Newsweb Corporation for US$425 million. This acquisition closed in August 2002.

(i) The Group s minimum commitments and guarantees under certain other programming, players, licensing and other agreements aggregated approximately US$3,991 million at June 30, 2002, which are payable principally over a five-year period.

(j) The Group, Telstra Corporation Limited (Telstra) and Publishing and Broadcasting Limited (PBL) are participants in a partnership known as FOXTEL, which has established a Pay TV operation in Australia. FOXTEL has entered into long-term channel supply agreements with various parties for exclusive rights to their programming. News Corporation and Telstra have severally guaranteed minimum subscriber payments under certain agreements entered into by FOXTEL, and PBL has provided the Group with an indemnity for 50% of the liability of the Group. These agreements prescribe payments of approximately US$470 million, for future programming based on subscriber numbers subject to minimal annual payment. The Group has included 25% of these prescribed payments as a commitment.

(k) The Group has guaranteed certain sports rights contracts for certain associated entities of STAR. The aggregate of the guarantees is approximately US$87 million (2001 -US$108 million) and extend to May 2004.

(l) News Corporation has guaranteed various transponder and other leases for certain associated entities operating in Latin America. The aggregate of these guarantees is approximately US$355 million (2001 US$384 million) and extends to 2019.

(m) The Group has guaranteed various sports rights agreements for certain associated entities. The aggregate of these guarantees is approximately US$1,050 million and extends through 2019.

(n) The Group has guaranteed a bank loan facility of A$89 million for Star Channel Japan. The facility covers a term loan of A$42 million which matures in September 2005 and an agreement for overdraft of A$48 million.

New Millennium II

On March 30, 2001, the Group s film distribution arrangement with New Millennium Investors, LLC (New Millennium) expired. The Group acquired the outstanding equity of New Millennium and repaid all of New Millennium s existing debt, resulting in the acquisition of film inventories of US$650 million and elimination of current and non current payables of US$117 million.

Concurrently, the Group entered into a new series of film rights agreements whereby a controlled consolidated subsidiary of the Group, Cornwall Venture LLC (NM2), that holds certain library film rights, funds the production or acquisition costs of all eligible films, as defined, to be produced by Twentieth Century Fox Film Corporation (TCF), a subsidiary of the Group, between 2001 and 2004 (these film rights agreements are collectively referred to as the New Millennium II Agreement). NM2 is a separate legal entity from the Group and TCF and has separate assets and liabilities. NM2 issued a preferred limited liability membership interest (Preferred Interest) to a third party to fund the film financing, which is presented on the Consolidated Statement of Financial Position as outside equity interests in controlled entities. The Preferred Interest has no fixed redemption rights but is entitled to an allocation of the gross receipts to be derived by NM2 from the distribution of each eligible film. Such allocation to the extent available based on gross receipts from the distribution of the eligible films consists of (a) a return on the Preferred Interest (the Preferred Payments), based on certain reference rates (generally based on US commercial paper rates or LIBOR) prevailing on the respective dates of determination, and (b) a redemption of the Preferred Interest, based on a contractually determined amortization schedule. The Preferred Interest has a preference in the event of a liquidation of NM2 equal to the unredeemed portion of the investment plus

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any accrued and unpaid Preferred Payments. The Group owns the controlling equity interest in NM2. Accordingly, NM2 is consolidated as the Group has control over the strategic and operational decisions of NM2 and control of all film rights held by NM2.

The net change in Preferred Interests outstanding was US$8 million and US$841 million for the years ended June 30, 2002 and 2001, respectively. These amounts were comprised of issuances by the Group of additional Preferred Interests under the New Millennium II Agreement in the amount of US$657 million and US$131 million and redemptions by the Group of Preferred Interests of US$649 million and US$42 million during fiscal years 2002 and 2001, respectively. The original issuance of Preferred Interests was US$752 million in fiscal 2001.

At June 30, 2002, there was A$1,507 million (2001 A$1,663 million) of Preferred Interests outstanding, which is included in the Statement of Financial Position as outside equity interest in controlled entities, with the Preferred Payments recorded in the Statements of Financial Performance as outside equity interest.

A Ratings Trigger Event for the above agreement would occur if the Group s debt rating:

(i) (a) falls below BB+ and below Ba1, or (b) falls below BB, or (c) falls below Ba2, or (d) it is not rated by both rating agencies, and, in each case the Group has not, within ten business days after the occurrence of such event, provided credit enhancement so that the resulting agreement is rated at least BB+ and Ba1, or
(ii) (a) falls below BBB- and Baa3, or (b) it is not rated by both rating agencies, and, in each case, more than US$25 million in capital payments redeemable at that time from film gross receipts remain unredeemed for at least one quarter.

If a Ratings Trigger Event were to occur then (a) no new film will be transferred, (b) rights against certain film assets may be enforced, and (c) the Preferred Interest may become redeemable.

During fiscal 2002, no Ratings Trigger Event occurred. If a Ratings Trigger Event were to occur, then US$425 million (or approximately 50% of the outstanding balance as of June 30, 2002) may be payable immediately. The balance of the redemption would be payable to the extent of future gross receipts from films that had been transferred to NM2.

Acquisitions and Dispositions

WebMD

As a result of the restructuring of the Group s investment in the Healtheon WebMD Corporation (WebMD), the Group swapped out of its preferred stock investment and recognized an impairment loss on its remaining common stock interest in WebMD. In exchange for the preferred shares the Group received the ownership interest in the Health Network (THN), warrants to purchase additional common stock in WebMD, a reduction in its obligation to provide future media services to and license content from WebMD and the elimination of future funding commitments to an international joint venture. The Group recorded a non-cash charge of approximately A$426 million (US$252 million) related to this restructuring. In June 2001, the Group sold its investment in THN to a third party for consideration valued at A$433 million.

RSN North

In February 2001, Fox Sports Networks acquired certain assets and liabilities constituting the business of Midwest Sports Channel, a regional sports network serving the Minneapolis, Minnesota and Milwaukee, Wisconsin metropolitan areas, pursuant to an Assignment and Assumption Agreement among Fox Sports Networks, Viacom, and Comcast Corporation (Comcast) and a Purchase Agreement between Viacom and Comcast for approximately US$40 million.

Home Team Sports

In February 2001, Fox Sports sold its approximate 34% limited partnership interest in Home Team Sports, in a non-cash exchange for new or amended cable carriage arrangements valued at approximately US$46 million related to the distribution of the Group s programming services on cable systems. The Group has recognized a gain of approximately US$40 million related to this transaction for the year ended June 30, 2001.

Taiwan Cable Group (China Network System   )

In April 2001, STAR purchased a 20% interest in each of the Koos   Group   s (Koos   ) 15 cable systems in Taiwan. The aggregate purchase price for this transaction was A$474 million (US$240 million). As of July 2002, STAR had aggregate interests of up to 23% in 17 cable systems throughout Taiwan, including systems affiliated with Koos. The Group accounts for this investment under the equity method of accounting from the date of acquisition. Koos is a leading business group based in Taiwan encompassing finance, telecommunications, entertainment and other businesses.

The Golf Channel

In June 2001, the Group sold its 31% interest in The Golf Channel to Comcast for a total consideration of approximately A$695 million, of which A$676 million was received in cash during fiscal 2001. The Group recorded a gain on the sale of A$476 million in relation to this transaction.

Chris-Craft

In July 2001, News Corporation, through a wholly-owned subsidiary, acquired all of the outstanding common stock of Chris-Craft Industries, Inc. and its subsidiaries, BHC Communications, Inc. and United Television, Inc., (collectively,   Chris-Craft   ). The consideration for the acquisition was approximately US$2 billion in cash and the issuance of 68,854,209 News Corporation American Depositary Receipts representing 275,416,836 preferred limited voting ordinary shares (ADRs   ) valued at approximately US$2 billion. Simultaneously with the closing of the acquisition, News Corporation transferred US$2,503 million of certain net assets, constituting Chris-Craft   s ten television stations (the   Acquired Stations   ) to its majority owned subsidiary, FEG, in exchange for 122,244,272 shares of FEG   s Class A Common Stock (the   Exchange   ), thereby increasing the Group   s ownership in FEG from 82.76% to 85.25%. FEG assigned the licenses issued by the FCC for the Acquired Stations to its indirect subsidiary, Fox Television Stations, Inc., which became the licensee and controls the operations of the Acquired Stations. The Group acquired Chris-Craft and transferred to FEG the Acquired Stations in order to strengthen FEG   s existing television station business.

FEG consolidated the operations of the Acquired Stations, as of the date of Exchange, July 31, 2001, with the exception of KTVX-TV in Salt Lake City, whose operations were not consolidated prior to the Exchange due to regulatory requirements which precluded FEG from controlling the station and required its disposal (see description of Clear Channel swap below).

In October 2001, the Group exchanged KTVX-TV in Salt Lake City and KMOL-TV in San Antonio with Clear Channel Communications, Inc. for WFTC-TV in Minneapolis (the   Clear Channel swap   ). In addition, on November 1, 2001, the Group exchanged KBHK-TV in San Francisco with Viacom Inc. for WDCA-TV in Washington, DC and KTXH-TV in Houston (the   Viacom swap   ). In June 2002, the Group exchanged KPTV-TV in Portland, an Acquired Station, for Meredith Corporation   s WOFL-TV in Orlando and WOGX-TV in Ocala (the   Meredith swap   , and together with the Viacom and Clear Channel swaps, the   Station Swaps   ). All of the stations exchanged in the Station Swaps were Acquired Stations. No gain or loss was recognized by the Group as a result of the Station Swaps.

Speed Channel

In July 2001, as a result of the exercise of rights by existing shareholders, the Group acquired an additional 53.44% of Speedvision Network, LLC, now Speed Channel, Inc. (Speed Channel   ) for approximately A$789 million (US$401 million). This acquisition resulted in the Group owning approximately 85.46% of Speed Channel. As a result, the Group has consolidated the results of Speed Channel beginning in July 2001. In October 2001, the Group acquired the remaining 14.54% minority interest in Speed Channel for approximately A$221 million (US$111 million) bringing the Group   s ownership percentage to 100%.

Outdoor Life

In July 2001, as a result of the exercise of rights by existing shareholders of Outdoor Life Network LLC (Outdoor Life), the Group acquired 50.23% of Outdoor Life for approximately A$608 million (US$309 million). This acquisition resulted in the Group owning approximately 83.18% of Outdoor Life. In October 2001, a shareholder of Outdoor Life acquired the Group s ownership interest in Outdoor Life for approximately US$512 million in cash. Upon the closing of the sale of the Group s ownership interest in Outdoor Life, the Group recognized a gain of A$271 million (US$142 million).

Fox Family Worldwide

In October 2001, FOX, Haim Saban and the other stockholders of FFW, sold FFW to Disney for total consideration of approximately A$10.3 billion (US$5.2 billion) (including the assumption of certain debt) of which approximately A$3.2 billion (US$1.7 billion) was in consideration of the Group s interest in FFW. As a result of this transaction, the Group recognized a gain of approximately A$2.3 billion (US$1.2 billion) before tax and minority interest. In addition, the Group sublicensed certain post-season MLB games through the 2006 MLB season to Disney for aggregate consideration of approximately A$1.2 billion (US$675 million), payable over the entire period of the sublicense.

Fox Sports International

The Group and Liberty Media Corporation (Liberty) at June 30, 2001 each owned 50% of Fox Sports International. In July 2001, under a pre-existing option, Liberty exercised its right to sell its 50% interest in Fox Sports International to the Group in exchange for an aggregate 3,673,183 News Corporation ADRs representing 14,692,732 preferred limited voting ordinary shares valued at approximately A$180 million. The transaction closed in December 2001. Under the terms of this transaction, the Group transferred the acquired interest in Fox Sports International to FEG in exchange for the issuance of 3,632,269 shares of FEG Class A Common Stock. This issuance increased the Group s equity interest in FEG from 85.25% to 85.32%, while its voting interest remained at 97.8%.

Sunshine

In January 2002, the Group acquired an approximate 23.3% interest in Sunshine for approximately US$23.3 million. This resulted in the acquisition of a controlling interest in Sunshine. Since the acquisition in January 2002, Sunshine has been consolidated into the Cable Network Programming segment of the Group as it is now under the control of the Group.

Contingencies

Regional Programming Partners

In December 1997, Rainbow Media Sports Holdings, Inc. (Rainbow) (a subsidiary of Cablevision Systems Corporation (Cablevision), and Fox Sports Net, Inc. (Fox Sports Net) (a subsidiary of the Group) formed Regional Programming Partners (RPP) to hold various programming interests in connection with the operation of certain RSNs (Rainbow Transaction). Rainbow contributed various interests in RSNs, the Madison Square Garden Entertainment Complex, Radio City Music Hall, the New York Rangers NHL franchise, and the New York Knickerbockers NBA franchise, to RPP in exchange for a 60% partnership interest in RPP, and Fox Sports Net contributed US$850 million in cash for a 40% partnership interest in RPP.

Pursuant to the RPP partnership agreement upon certain actions being taken by Fox Sports Net, Rainbow has the right to purchase all of Fox Sports Net s interests in RPP. The buyout price will be the greater of (i) (a) US$2.125 billion, increased by capital contributions and decreased by capital distributions, times Fox Sports Net s interest in RPP plus (b) an 8% rate of return on the amount in (a) and (ii) the fair market value of Fox Sports Net s interest in RPP. Consideration will be, at Rainbow s option, in the form of cash or a three-year note with an interest rate of prime plus ½%. In addition, for 30 days following December 18, 2002 and during certain periods thereafter, so long as RPP has not commenced an initial public offering of its securities, Fox Sports Net has the right to cause Rainbow to, at Rainbow s option, either (i) purchase all of Fox Sports Net s interests in RPP or (ii) consummate an initial public offering of RPP s securities. The purchase price will be the fair market value of Fox Sports Net s interest in RPP and the consideration will be, at Rainbow s option, in the form of marketable securities of certain affiliated companies of Rainbow or a three-year note with an interest rate of prime plus ½%.

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In connection with the Rainbow Transaction, Rainbow and Fox Sports Net formed National Sports Partners (NSP) in which each of Rainbow and Fox Sports Net were issued a 50% partnership interest to operate Fox Sports Net (FSN), a national sports programming service that provides its affiliated RSNs with 24 hour per day national sports programming. In addition, Rainbow and Fox Sports Net formed National Advertising Partners (NAP), in which each of Fox Sports Net and Rainbow were issued a 50% partnership interest, to act as the national advertising sales representative for the Fox Sports Net-owned RSNs and the RPP-owned and managed RSNs. Independent of the arrangements discussed above relating to RPP, for 30 days following December 18, 2002 and during certain periods thereafter, so long as NSP and NAP have not commenced an initial public offering of its securities, Rainbow has the right to cause Fox Sports Net to, at Fox Sports Net s option, either (i) purchase all of Rainbow s interests in NSP and NAP, or (ii) consummate an initial public offering of NSP s and NAP s securities. The purchase price will be the fair market value of Rainbow s interest in NSP and NAP and the consideration will be, at Fox Sports Net s option, in the form of marketable securities of certain affiliated entities of Fox Sports Net or a three-year note with an interest rate of prime plus ½%.

AWAS

During 2000, the Group sold all of its interest in AWAS. Following the sale, the Group received an indemnity from the acquirer of its interest in AWAS against the contingent liability under the guarantees of certain leveraged lease transactions. These guarantees total A$nil at June 30, (2001 A$322 million) 2002 as the liabilities were fully satisfied during the year at no cost to the Group.

Other

Various claims arise in the ordinary course of business against controlled entities. The amount of the liability (if any) at June 30, 2002 cannot be ascertained, but the Group believes that any resulting liability would not materially affect the financial position of the Group.

Subsequent Events

Telepiu

In October 2002, News Corporation and Telecom Italia agreed to acquire Telepiu, S.p.A. (Telepiu), Vivendi Universal s satellite pay-television platform in Italy, for approximately 920 million, consisting of the assumption of up to 450 million in outstanding indebtedness and a cash payment of 470 million. As part of the acquisition, Telepiu will be combined with Stream, and News Corporation will own 80.1% and Telecom Italia will own 19.9% of the combined entity. The acquisition, which is subject to regulatory approval, is expected to close prior to the end of fiscal 2003.

NDS

In March 2002, Groupe Canal+ Technologies S.A. and Canal+ Technologies Inc., subsidiaries of Vivendi (collectively Canal+), filed a lawsuit against NDS Group plc and NDS Americas Inc. (together, NDS) in the United States District Court, Northern District of California, alleging acts of improper conduct, including unfair competition and copyright infringement, in connection with the conditional access systems operated by Canal+. In October 2002, Canal+ and NDS agreed to a stay of all proceeding pending regulation approval of News Corporation s acquisition of Telepiu. The action will be dismissed with prejudice upon the consummation of the acquisition. In October and November 2002, each of EchoStar Communications Corporation (EchoStar) and several affiliates and MEASAT Broadcast Network Systems Sendirian Berhad asked the court s permission to intervene in the action, asserting that they have claims similar to those asserted by Canal+. The motions to intervene are currently scheduled to be heard in January 2003.

In September 2002, NDS Group plc and two of its subsidiaries were named as defendants in a lawsuit filed by DIRECTV, Inc. (DIRECTV) and certain of its affiliates in the United States District Court for the Central District of California. The suit purports to allege misappropriation of trade secrets, breach of contract, fraud and statutory violations relating to NDS provision of conditional access services to DIRECTV. The suit seeks unspecified damages and injunctive relief. The allegations are substantially similar and related to a complaint in a prior action commenced by DIRECTV that was dismissed with prejudice in February 2002. NDS believes that these allegations as well as the additional ones in the complaint are without merit and a pretext designed to enable DIRECTV to circumvent restrictions on DIRECTV s future use of NDS technology. NDS intends vigorously to defend the action and has filed a motion to dismiss many of DIRECTV s claims. Additionally, in October 2002, NDS filed counterclaims against DIRECTV and a chip manufacturer, alleging that DIRECTV and the chip manufacturer misappropriated NDS trade secrets and proprietary information, conspired to infringe NDS patents, colluded to unfairly compete and breached agreements and licenses restricting the use of NDS intellectual property.

In October 2002, NDS Americas, Inc. was served with subpoenas by the U.S. Attorney s office in San Diego, California, seeking documents apparently in connection with an investigation related to Canal+ and EchoStar s claims. NDS is co-operating with the investigation.

WPWR-TV

In June 2002, the Group entered into an agreement to acquire WPWR-TV in Chicago from Newsweb Corporation for US$425 million in cash. The acquisition closed in August 2002.

Senior Discount Notes

In June 2002, the Group called for redemption of all of the outstanding 9 $^{3}/4$% Senior Discount Notes due 2007 and all of the outstanding 8 $^{7}/8$% Senior Notes due 2007. The redemption was completed in August 2002.

FEG

In November 2002, FEG sold 50 million shares of its Class A Common Stock pursuant to an underwritten public offering. The net proceeds received by FEG were approximately US$1.2 billion and were used to repay intercompany indebtedness. This offering reduced the Group s equity ownership and voting percentage in FEG to 80.58% and 97%, respectively, and increased the outside equity interests in controlled entities.

Revolving Credit Agreement

In December 2002, News Corporation reduced the commitments available under the Revolving Credit Agreement from US$2.0 billion to US$1.7 billion.

US-GAAP Reconciliation

A-GAAP differs from US-GAAP with respect to News Corporation s results of operations in a number of significant respects. A comparison of the results for fiscal 2000, 2001 and 2002 under both A-GAAP and US-GAAP is as follows (in millions):

	Fiscal Year Ended June 30,		
	2000	**2001**	**2002**
Revenue			
A-GAAP	A$ 22,443	A$ 25,578	A$ 29,014
US-GAAP (a)	A$ 22,337	A$ 25,387	A$ 28,776
Operating income			
A-GAAP	A$ 2,742	A$ 3,093	A$ 3,542
US-GAAP	A$ 1,509	A$ 1,823	A$ 256
Net income (loss)			
A-GAAP	A$ 1,921	A$ (746)	A$ (11,962)
US-GAAP	A$ (329)	A$ (218)	A$ (14,670)

(a) Under US-GAAP, in November 2001, the Financial Accounting Standards Board (FASB) issued Emerging Issues Task Force (EITF) No. 01-09, Accounting for the Consideration Given by a Vendor to a Customer or a Reseller of the Vendor s Products. This EITF states that the financial statement classification of customer incentives, including the amortization of cable distribution investments over the original term of the cable distribution agreement, should be presented as a reduction in revenue. Under A-GAAP, costs associated with cable distribution investments are reflected as intangible assets. As required, under US-GAAP, effective January 1, 2002, the Group

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reclassified the amortization of cable distribution investments against revenues. The amortization of cable distribution investments had previously been included in Depreciation and amortization. US-GAAP Operating income, Net income (loss) and Earnings (loss) per share are not affected by this reclassification. The effect of the reclassification on the Group is as follows:

	Years Ended June 30,		
		(in millions)	
	2000	2001	2002
Gross Revenues	A$ 22,451	A$ 25,554	A$ 28,997
Amortization of cable distribution investments	(114)	(167)	(221)
Revenues	22,337	25,387	28,776

As more completely described and quantified in Note 20 to the Consolidated Financial Statements of The News Corporation Limited and Subsidiaries included elsewhere herein, the major differences in each of the periods are: (a) the amortization of intangible assets, (b) the accounting for deferred taxes under the SFAS No. 109, (c) the charge for the market value of the warrants issued in connection with the Exchangeable Preferred Securities, (d) the differences in the recorded net investment of sold properties (basis difference principally arising from the amortization of the associate intangible assets for US-GAAP), (e) costs incurred in the development of major new businesses and (f) the differences in the date of measurement of the fair value of purchase business combinations and investments in associates.

News Corporation s gains or losses on the sale of business entities included in other items under A-GAAP are included in other income (expense) under US-GAAP.

US-GAAP New Accounting Pronouncements

In June 2001, the FASB issued Statement of Financial Accountability Standards (SFAS) No. 141, Business Combinations (SFAS No. 141) and SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). SFAS No. 141 requires all business combinations to be accounted for by the purchase method and that acquired intangible assets be recognized apart from goodwill if they meet specific criteria. SFAS No. 141 supersedes Accounting Principles Board (APB) Opinion No. 16 and is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 eliminates the requirement to amortize goodwill, identifiable intangible assets that have indefinite useful lives and the excess cost of equity investments attributable to such intangibles. However, it requires that goodwill and identifiable intangibles with indefinite lives be tested for impairment at least annually using the guidance specifically provided in the statement. SFAS No. 142 supersedes APB Opinion No. 17 and adopted by the Group on July 1, 2002. While the Group is still in the process of evaluating the overall impact of adopting the provisions of SFAS No. 142, the Group expects that all of its goodwill, a substantial amount of its publishing rights, titles and television licenses and the excess cost of equity investments attributable to indefinite-lived intangibles will no longer be amortized beginning in fiscal 2003 under US-GAAP. In addition, the Group does not currently expect that adoption of SFAS No. 142 will result in a transitional impairment loss that will be material to its consolidated statement of operations under US-GAAP, however, this is subject to a final evaluation of the impact of the adoption.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 establishes an accounting model for impairment or disposal of long-lived assets to be (i) held and used and (ii) disposed of by sale. The Group plans to adopt SFAS No. 144 on July 1, 2002 and does not expect it to have a material impact on its consolidated statements of operations.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, required that gains and losses from extinguishment of debt be classified as an extraordinary item, net of the related income tax effect. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item shall be reclassified. SFAS No. 13, Accounting for Leases, has been amended to require sale-leaseback accounting for certain lease modifications that are similar

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to sale-leaseback transactions. The rescission of SFAS No. 4 and the amendment to SFAS No. 13 shall be effective for fiscal years and transactions, respectively, occurring after May 15, 2002. The Group has adopted the provisions of SFAS No. 145. In accordance with SFAS No. 145, all losses relating to the extinguishment of debt are included in Other expense.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses the accounting and reporting for costs associated with exit or disposal activities and nullifies EITFNo. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair market value when the liability is incurred, rather than upon an entity s commitment to an exit plan, as prescribed by EITF No. 94-3. SFAS No. 146 is effective for exit and disposal activities initiated after December 31, 2002. The Group will adopt SFAS No. 146 on January 1, 2003.

Trend Information

News Corporation experienced lower growth in advertising revenues for fiscal 2002 as a result of a decline in the general newspaper and television advertising markets which began at the end of fiscal 2001.

Inflation has not had a material impact on the Group.

The Results of Operations as discussed in this Item 5, reflect any other significant trends which have had a material effect on the financial condition of the Group. Any additional information of note has been included in the Notes to the Consolidated Financial Statements of The News Corporation Limited and Subsidiaries and elsewhere in this report.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management

The directors and senior management of News Corporation are as follows:

Name	Age	Position with the Company	Date Last Elected as a Director
K. Rupert Murdoch AC	71	Chairman and Chief Executive	1990
Geoffrey C. Bible	65	Director*	2001
Chase Carey	49	Director*	2002
Peter Chernin	51	Director, President and Chief Operating Officer	2002
Kenneth E. Cowley AO	68	Director*	2001
David F. DeVoe	55	Director, Senior Executive Vice President and Chief Financial Officer	2001
Roderick I. Eddington	52	Director*	2002
Aatos Erkko KBE	70	Director*	2002
Andrew S.B. Knight	63	Director*	2002
Graham J. Kraehe	60	Director*	2001
James R. Murdoch	30	Director and Executive Vice President	2001
Lachlan K. Murdoch	31	Director and Deputy Chief Operating Officer	2000
Thomas J. Perkins	70	Director*	2000
Stanley S. Shuman	67	Director*	2000
Arthur M. Siskind	64	Director, Senior Executive Vice President and Group General Counsel	2000

* Non-Executive

There is no arrangement or understanding between any of the above listed persons and any other person pursuant to which he or she was elected as a director or executive officer. There is no family relationship between any director or executive officer of News Corporation and any other director of News Corporation, except that James R. Murdoch and Lachlan K. Murdoch are sons of K. Rupert Murdoch.

Further information with respect to the directors and senior management is set forth below.

K. Rupert Murdoch AC, has been Chairman of the Board of Directors of News Corporation since 1991 and Executive Director and Chief Executive since 1979. He has been a Director of News Limited, News Corporation s principal subsidiary in Australia, since 1953, a Director of News International, News Corporation s principal subsidiary in the United Kingdom, since 1969 and a Director of News America, News Corporation s principal subsidiary in the United States, since 1973. Mr. Murdoch has been a Director of STAR Group since 1993 and served as Chairman of STAR Group from 1993 to 1998. Mr. Murdoch has been a Director of FEG since 1985, Chairman since 1992 and Chief Executive Officer since 1995. Mr. Murdoch has served as a Director of BSkyB since 1990 and Chairman since 1999. Mr. Murdoch has served as a Director of Gemstar-TV Guide since 2001. Mr. Murdoch has served as a Director of China Netcom (Hong Kong) Limited since 2001.

Geoffrey C. Bible has been a Non-Executive Director of News Corporation since 1998. Mr. Bible served as Chairman of the Board until August 2002 and Chief Executive Officer from 1995 until April 2002 of Philip Morris Companies Inc. and was employed by Philip Morris Companies Inc. and its various subsidiaries and divisions in an executive capacity continuously from 1976 until August 2002. Mr. Bible is Chairman of the Nominating and Corporate Governance Committee of News Corporation.

Chase Carey has been a Non-Executive Director of News Corporation since January 2002 and was an Executive Director from 1996 until January 2002. Mr. Carey served as Co-Chief Operating Officer of News Corporation from 2001 until January 2002. Mr. Carey served as a Director, President and Chief Executive Officer of Sky Global Networks, Inc. from June 2001 until January 2002. Mr. Carey served as a Director of FEG from 1992 and served as Co-Chief Operating Officer from 1998 until January 2002. Mr. Carey was Chairman and Chief Executive Officer of Fox Television from 1994 until 2000. Mr. Carey was a Director of News America until January 2002, President and Chief Operating Officer from 1998 until January 2002 and Executive Vice President from 1996 to 1998. Mr. Carey served as a Director of STAR from 1993 until

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January 2002, a Director of NDS from 1996 and a Director of Gemstar-TV Guide from 2000 until January 2002. Mr. Carey has served on the Boards of Gateway, Inc. and Colgate University since 1996.

Peter Chernin has been an Executive Director, President and Chief Operating Officer of News Corporation since 1996. Mr. Chernin has been a Director, President and Chief Operating Officer of FEG since 1998. Mr. Chernin has been a Director, Chairman and Chief Executive Officer of News America since 1996. Mr. Chernin served as Chairman and Chief Executive Officer of FFE from 1994 to 1996 and in various executive capacities at Fox subsidiaries since 1989. Mr. Chernin has served as a Director of Gemstar TV-Guide since April 2002 and was a Director of TV Guide, Inc. from 1999 to 2000. Mr. Chernin has been a Member of the Advisory Board of PUMA AG since 1999 and has been a Director of E*TRADE Group, Inc. since 1999.

Kenneth E. Cowley AO, has been a Non-Executive Director of News Corporation since 1997. Mr. Cowley has been a Director of Independent Newspapers Limited since 1990 and its Chairman since 2001. Mr. Cowley served as an Executive Director of News Corporation from 1979 to 1997, as a Director of News Limited from 1978 to 1997 and as Chairman of News Limited from 1992 to 1997. Mr. Cowley was the Managing Director of News Corporation s Australian operations from 1980 to 1996. Mr. Cowley was a Director and Executive Vice President of News America from 1992 until 1997. Mr. Cowley served as an Executive Director of Ansett Holdings Limited (AHL) from 1988 to 2000 and Chairman from 1992 to 1996. Mr. Cowley served as a Director of Commonwealth Bank of Australia from 1997 until 2001 and as Chairman of PMP Communications Limited from 1991 until 2001. Mr. Cowley has been the Chairman of RM Williams Holdings Limited since 1994. Mr. Cowley is a member of the Nominating and Corporate Governance Committee of News Corporation.

David F. DeVoe has been an Executive Director of News Corporation since 1990, Senior Executive Vice President since 1996 and Chief Financial Officer and Finance Director since 1990. Mr. DeVoe served as an Executive Vice President of News Corporation from 1990 until 1996. Mr. DeVoe has been a Director of News America since 1991, Senior Executive Vice President since 1998 and Executive Vice President from 1991 to 1998. Mr. DeVoe has been a Director of FEG since 1991 and Senior Executive Vice President and Chief Financial Officer since 1998. Mr. DeVoe has been a Director of STAR since 1993 and a Director of NDS since 1996. Mr. DeVoe has been a Director of BSkyB since 1994 and a Director of Gemstar-TV Guide since 2001.

Roderick I. Eddington has been a Non-Executive Director of News Corporation since 2000. Mr. Eddington served as an Executive Director of News Corporation from 1999 until 2000. Mr. Eddington has been Chief Executive of British Airways since 2000. Mr. Eddington served as a Director of News Limited from 1998 until 2000 and as a Director from 1997 until 2000. Mr. Eddington served as Executive Chairman of AHL and as a Director of each of Ansett Australia Limited and Ansett Australia Holdings Limited from 1997 until 2000. Mr. Eddington served as Managing Director of Cathay Pacific Airways from 1992 to 1996. Mr. Eddington has been a Director of John Swire & Sons Pty Ltd since 1997. Mr. Eddington is a member of the Nominating and Corporate Governance Committee of News Corporation.

Aatos Erkko KBE, has been a Non-Executive Director of News Corporation since 1992. Mr. Erkko has served as Chairman of Asipex AG since 1999. Mr. Erkko has been a Director of SanomaWSOY Corporation since 1999 and Chairman from 1999 until 2001. Mr. Erkko served as Chairman and Chief Executive Officer of Sanoma Corporation, a privately owned media company in Finland, from 1972 until 1999. Mr. Erkko served as Chairman of Eurocable Oy from 1987 until 1995 and Vice Chairman of Kymmene Group from 1991 until 1995. Mr. Erkko is a member of the Audit and Compensation Committees of News Corporation.

Andrew S. B. Knight has been a Non-Executive Director of News Corporation since 1994. Mr. Knight served as an Executive Director of News Corporation from 1991 to 1994 and served as Executive Chairman of News International and as a Director of BSkyB from 1990 to 1994. Mr. Knight was Editor of *The Economist* from 1974 to 1986, and Chief Executive and Editor in Chief of the *Daily Telegraph* plc from 1986 to 1989. Mr. Knight has been a Non-Executive Director of Rothschild Investment Trust Capital Partners plc since 1997. Mr. Knight is chairman of the Compensation Committee and a member of the Audit Committee of News Corporation.

Graham J. Kraehe has been a Non-Executive Director of News Corporation since 2001. Mr. Kraehe has served as Chairman of BHP Steel since July 2002. Mr. Kraehe was the Managing Director and Chief Executive Officer of Southcorp Limited from 1994 until April 2001. Mr. Kraehe has been a Non-Executive Director of National Australia Bank Limited since 1997 and a Non-Executive Director of Brambles Industries Ltd since 2000. Mr. Kraehe is Interim Chairman of the Audit Committee of News Corporation.

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James R. Murdoch has been an Executive Director of News Corporation since 2000 and an Executive Vice President since 1999. Mr. Murdoch has been a Director, Chairman and Chief Executive of STAR Group since 2000. Mr. Murdoch was President of News Digital Media, Inc. from 1997 to 1999 and Vice President, Music and New Media of News Corporation from 1996 to 1997. Mr. Murdoch has been a Director of NDS since 1999, a Director of YankeeNets L.L.C. since 1999 and a Director of Phoenix Satellite Television Holdings, Ltd. since 2000.

Lachlan K. Murdoch has been an Executive Director of News Corporation since 1996 and Deputy Chief Operating Officer since 2000. Mr. Murdoch served as a Senior Executive Vice President of News Corporation from 1999 until 2000. Mr. Murdoch has been a Director of News Limited since 1995, Chairman since 1997 and served as Chief Executive from 1997 to 2000, Managing Director from 1996 to 1997 and Deputy Chief Executive from 1995 to 1996. Mr. Murdoch has been the Chairman of Queensland Press Limited since 1996 and a Director since 1994. Mr. Murdoch has been Deputy Chairman of STAR since 1995. Mr. Murdoch has been a Director of FOXTEL Management since 1998, a Director of Gemstar-TV Guide since 2001 and a Director of NDS since February 2002.

Thomas J. Perkins has been a Non-Executive Director of News Corporation since 1996. Mr. Perkins has been Partner of Kleiner Perkins Caufield & Byers since 1972. Mr. Perkins has been a Director of Hewlett-Packard Company since March 2002 and was a Director of Compaq Computer Corporation from 1997 until May 2002. Mr. Perkins is a member of the Audit and Compensation Committees of News Corporation.

Stanley S. Shuman has been a Non-Executive Director of News Corporation since 1982. Mr. Shuman has been Executive Vice President and a Managing Director of Allen & Company Incorporated since 1964. Mr. Shuman has been a Director of News America since 1985. Mr. Shuman has been a Director of Western Multiplex Corporation since May 2000 and a Director of Six Flags, Inc. since 2000.

Arthur M. Siskind has been an Executive Director of News Corporation since 1991. Mr. Siskind has been a Senior Executive Vice President of News Corporation since 1996 and Group General Counsel since 1991. Mr. Siskind served as Executive Vice President of News Corporation from 1991 until 1996. Mr. Siskind has been a Director of News America since 1991, a Senior Executive Vice President since 1998 and served as Executive Vice President from 1991 to 1998. Mr. Siskind has been a Director, Senior Executive Vice President and General Counsel of FEG since 1998. Mr. Siskind has been a Director of STAR since 1993 and a Director of NDS since 1996. Mr. Siskind has been a Director of BSkyB since 1992. Mr. Siskind has been a Member of the Bar of the State of New York since 1962.

The company secretaries are as follows:

Keith D. Brodie has been a Company Secretary of News Corporation since 1990.

Robert K. Moon has been a Company Secretary of News Corporation since 1981.

Laura A. O Leary has been a Company Secretary of News Corporation since 2000.

Board Practices

The business of News Corporation and its controlled entities is managed by the Board of Directors. News Corporation s Constitution provides that at every annual general meeting, one-third (or the nearest number to but not exceeding one-third) of the directors (exclusive of any managing director, directors of an age greater than 72 years and directors appointed since the most recent annual general meeting) shall retire from office and all vacant directorships may be filled at that meeting. The directors to retire in each year are the directors who have been in office longest since their last election or appointment. Retiring directors are eligible for re-election. No director (other than any managing director) can serve for a term longer than three years without re-election. Further, directors appointed since the last annual general meeting must retire, but are eligible to be re-elected for a three-year term. Directors who are older than 72 must retire each year and are eligible to be re-elected for a one-year term.

Directors of News Corporation are further classified as either executive or non-executive directors, with the former being those directors engaged in full time employment by News Corporation. News Corporation s Constitution authorizes the Board of Directors to appoint managing directors with specific authorized duties and to elect a Chairman to preside at meetings. In the event a vote upon an issue that must be decided by a

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majority vote results in a tie, the Chairman is granted a second and deciding vote. Subject to law and any existing contractual arrangements, the officers of News Corporation serve at the discretion of the Board of Directors; the Directors are subject to periodic re-election by the shareholders in accordance with the rules of the Australian Stock Exchange Limited and the Constitution of News Corporation.

Board Committees

Prior to December 2000, the Board Committees included a Nominating Committee, Compensation Committee, Share Option Committee and Audit Committee. In December 2002, the Board restructured its committees to include a Nominating and Corporate Governance Committee, a Compensation Committee and an Audit Committee. The Board has or will adopt a charter for each of these committees in light of current and proposed rules of governance to which News Corporation is subject.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee meets to consider and make recommendations regarding the composition of the Board. This Committee also will supervise and make recommendations to the Board regarding the corporate governance proceedings of News Corporation and to oversee compliance with the laws, rules and regulations of the governing authorities and securities exchanges with which News Corporation is required to comply. The composition of the Board must currently satisfy the following parameters:

- There must be a minimum of five Directors;
- At least two Directors must be residents of Australia; and
- The Board members should represent a broad range of expertise and experience.

If at any time the Nominating and Corporate Governance Committee is of the view that any of the above criteria is not satisfied, the Nominating and Corporate Governance Committee will nominate candidates for Board positions to the Board which then needs to vote on those candidates. Persons voted into Board positions in this way then need to be re-elected by the shareholders at the next annual general meeting if they are to continue to hold office. The Nominating and Corporate Governance Committee will ask any Directors who are not properly performing their duties to retire.

The Nominating and Corporate Governance Committee comprises Messrs. Bible, as Chairman, Cowley and Eddington.

Compensation Committee

The Compensation Committee is established to review and make recommendations to the Board on the remuneration of the Chief Executive and to review and make recommendations to the Chief Executive on the remuneration of the other senior executives. The Compensation Committee will approve the grant of options under News Corporation s share options plans. The Compensation Committee comprises Messrs. Knight, as Chairman, Erkko and Perkins.

Audit Committee

The Audit Committee, which operates under a Charter approved by the Board, meets at least twice each year with the News Corporation s internal and external auditors. The purpose of these meetings is:

1. To review the yearly and half-yearly financial results and statements, the findings of the audit, and any adjustments required as a result of the audit;
2. To discuss any problems foreseen in the audit process;
3. To discuss with the external auditors their judgments about the quality and acceptability of the accounting policies applied in the financial statements;
4. To review the external auditors fees and performance and discuss with them their independence;
5. To recommend to the Board that the financial statements be approved;
6. To recommend to the Board the selection of independent accountants;
7. To review the annual internal audit plan and the results of internal audit s activities;
8. To review the adequacy of internal controls; and
9. To advise the Board on any other requested issues.

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The Audit Committee invites senior executives of News Corporation, including the Chief Financial Officer and Group General Counsel, to participate in its meetings. The Audit Committee comprises Messrs. Kraehe, as Interim Chairman, Erkko, Knight and Perkins.

Executive Committee

The Board has established an Executive Committee comprised of Executive Directors and senior executives of News Corporation who are not members of the Board of Directors.

The primary objectives of the Executive Committee are to strengthen the co-ordination and profitability of News Corporation s activities. For purposes of advising the Board, the Executive Committee also considers strategic direction, brand management, corporate communications, human resources and risk management.

In the implementation of its Charter the Executive Committee:

Discusses major operating issues;

Evaluates opportunities and business risks;

Refines and redefines News Corporation s priorities worldwide and by market; and

Reviews and sets the strategic focus and direction of all major businesses of News Corporation.

Compensation of Executive Directors

Remuneration for the Executive Directors consists of basic salary, performance related bonuses, share options plans and benefits including pension, life insurance, medical insurance and, where appropriate, company cars. Each of the Executive Directors, other than K. Rupert Murdoch, is party to an employment agreement which provides that if his employment is terminated without cause or for good reason prior to the end of the employment term, such person will be entitled to receive his annual compensation (which may be payable in a lump sum) until the end of the employment term. Each Executive Director is entitled to receive pension and other retirement benefits upon such person s retirement. Except as described above, none of the Directors is party to a service contract with News Corporation pursuant to which he will receive material employment termination benefits.

The table below sets out the fees and other amounts paid by News Corporation to its Executive Directors for the year ended June 30, 2002:

Name	Salary	Bonuses	Other Amounts	Value of Options Granted	Total	Number of Options Granted
			(1)	(2)		(3)(4)
	US$000	US$000	US$000	US$000	US$000	
K. R. Murdoch AC	4,357	3,000	1,849		9,206	
C. Carey	1,622	3,000	5,486(5)	674	10,782	260,000
P. Chernin	7,565	7,000	729	2,592	17,886	1,000,000
D. F. DeVoe	1,754	2,000	315	674	4,743	260,000
J. R. Murdoch	735	500	10	415	1,660	160,000
L. K. Murdoch	1,313	700	137	674	2,824	260,000
A. M. Siskind	1,725	1,000	510	674	3,909	260,000

(1) Other amounts comprise contributions to News Corporation pension plans and the cost of limited non-cash benefits in addition to salary for executives in line with local country regulations and competitive market conditions.

(2) These options are valued using the Black-Scholes Option Pricing Model. These options are granted under News Corporation s various executive share options plans below.

(3) All options are granted during the financial year.

(4) The exercise price is A$14.03 and the options expire on August 30, 2011.

(5) Mr. Carey became a Non-Executive director in January 2002. The amount includes US$5 million in compensation relating to the settlement of Mr. Carey s employment agreement.

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Compensation of Non-Executive Directors

The basic fees payable to the Non-Executive Directors are set by the Board of Directors. Prior to July 2002, the fees were set at US$30,000 per annum and an additional US$1,000 for each meeting attended. Commencing July 1, 2002, the fees will be US$45,000 per annum, US$2,500 for each Audit Committee meeting attended, and US$1,000 for each other committee meeting attended. In addition, at the discretion of the Board of Directors, Non-Executive Directors are granted options over Preferred Shares, subject to shareholder approval at each Annual General Meeting of News Corporation.

Fees paid to Non-Executive Directors on the Board take into consideration the level of fees paid to Board members of other multinational corporations, the size and complexity of News Corporation s operations and the responsibilities and workload requirements of Board members.

Because the focus of the Board is on the long-term direction of News Corporation, there is no direct link between Non-Executive Director remuneration and the short-term results of News Corporation.

The table below sets out the fees and other amounts paid by News Corporation to its Non-Executive Directors for the year ended June 30, 2002:

Name	Fees	Other Amounts	Value of Options Granted	Total	Number of Options Granted
		(1)	(2)		(3)(4)
	US$000	US$000	US$000	US$000	
G. C. Bible	33		30	63	12,000
K. E. Cowley AO		30	30	60	12,000
R. Eddington	35		30	65	12,000
J. A. M. Erkko KBE	25		30	55	12,000
A. S. B. Knight	54		30	84	12,000
G. J. Kraehe	31		30	61	12,000
T. J. Perkins	39		30	69	12,000
B.C. Roberts Jr.(5)	35		30	65	12,000
S. S. Shuman	120		30	150	12,000

(1) Other amounts comprise contributions to News Corporation pension plans and the cost of limited non-cash benefits in addition to salary for executives in line with local country regulations and competitive market conditions.
(2) These options are valued using the Black-Scholes Option Pricing Model. These options are granted under News Corporation s various executive share options plans below.
(3) All options are granted during the financial year.
(4) The exercise price of the options is A$11.27 and the options expire on October 11, 2011 for each Non-executive Director.
(5) Mr. Roberts resigned from the Board in August 2002.

Employees

At June 30, 2002, News Corporation had approximately 33,800 full-time employees worldwide, of whom approximately 17,100 were located in the U.S., approximately 7,600 in the U.K. and approximately 9,100 in Australasia. At June 30, 2001, News Corporation had approximately 32,900 full-time employees worldwide, of whom approximately 16,000 were located in the U.S., approximately 7,600 in the U.K. and approximately 9,300 in Australasia. At June 30, 2000, News Corporation had approximately 33,800 full-time employees worldwide, of whom approximately 17,700 were located in the U.S., approximately 6,800 in the U.K. and approximately 9,300 in Australasia. The foregoing employee data does not include employees of BSkyB, FOXTEL, QPL, INL, Gemstar-TV Guide, FFW, Fox Sports International, Sky Latin America and other entities described herein in which News Corporation held less than a majority ownership interest during each of the last three fiscal years. Certain industries in which News Corporation is engaged (such as filmed entertainment, television broadcasting and newspaper publication) have traditionally been heavily unionized. News Corporation has entered into numerous collective bargaining agreements with unions representing its employees. News Corporation believes that its relations with its employees are satisfactory.

Share Ownership

The following table sets forth as of June 30, 2002, the total share ownership of each of the Directors:

	Ordinary Shares	Preferred Shares	Ordinary Share Options	Preferred Share Options
K. R. Murdoch[1]	*	*		24,000,000
G. C. Bible				48,000
C. Carey				5,300,000
P. Chernin				17,275,000
K. E. Cowley AO		*		184,000
D. F. DeVoe				3,190,000
R. Eddington				885,000
J. A. M. Erkko KBE	*	*		66,000
A. S. B. Knight	*	*		60,000
G. J. Kraehe	*			12,000
J. R. Murdoch	*	*		842,352
L. K. Murdoch	*	*		3,300,000
T. J. Perkins	*			60,000
S. S. Shuman	*	*	24,000	96,000
A. M. Siskind	*	*		3,660,000

* Less than 1%.

(1) K. R. Murdoch directly owns 31,839 Ordinary Shares and 8,536 Preferred Shares. In addition, K. R. Murdoch is deemed to have a relevant interest in shares by reason of his beneficial and trustee interests in Cruden Investments Pty. Limited, a substantial shareholder, and may also be entitled to shares by reason of his connection with Kayarem Pty. Limited, which has a relevant interest in an additional 17,316,951 Ordinary Shares and 8,785,910 Preferred Shares. See Item 7: Major Shareholders and Related Party Transactions.

Executives Share Option Scheme, Share Option Plan and Australian Executive Share Option Plan (the Plans)

The terms of these three plans provide that the total number of shares, the transfer of which may be required to be procured by the Company, in respect of which options have been granted to employees of management or equivalent status, including Executive Directors, which have not been exercised or terminated or expired shall not exceed five percent of News Corporation s issued share capital. The exercise price of the options issued under the arrangements is the weighted average market price of the shares sold on the Australian Stock Exchange during the five trading days immediately prior to the date the option is granted. Options granted under the Plans have a term of 10 years after the date of grant. The Plans allow News Corporation to procure the transfer of issued Ordinary Shares or Preferred Shares to option holders rather than issue new shares to them.

With the exception of special grants made to certain individuals on hiring, grants under the Plans have been made and continue to be made on an annual basis.

Other Plans

In connection with News Corporation s acquisition of New World, Heritage and Chris-Craft, each outstanding option under such companies option plans were converted into the right to purchase ADRs of News Corporation, each of which represents four Preferred Shares. No additional options were granted under such plans following these acquisitions.

News International Sharesave Scheme

In October 1997, shareholders approved the establishment of a sub-plan to The News Corporation Share Option Plan. The U.K. Sub-Plan is a salary sacrifice savings scheme, which was established for the

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benefit of U.K. resident employees of News International plc to provide those employees with an opportunity to participate in the equity of News Corporation. The U.K. Sub-Plan involves the grant of options over Preferred Shares to participating employees. The option entitles holders to call for the delivery to them of these shares upon the maturity of 3, 5 or 7 year savings plans which were implemented in conjunction with the plan. The options have an exercise price which represents a discount of up to 20% of the market price of shares at the date of the grant of the option. The exercise price is paid by an automatic withdrawal from the participant s savings plan in favor of the Trustee who, on exercise of the option, uses those proceeds to acquire the requisite number of shares and transfer them to the participant.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

The sole outstanding class of voting securities of News Corporation is Ordinary Shares. In addition, in November 1994, News Corporation issued, by means of a bonus issue (i.e. stock dividend), one previously unissued Preferred Share, which have limited voting rights, for each two of its Ordinary Shares held of record on November 11, 1994.

The following table sets forth as of November 30, 2002, the percentage of Ordinary Shares owned by Cruden Investments Pty. Limited, a corporation organized under the laws of the State of Victoria, Australia and a subsidiary thereof (collectively, Cruden Investments), which is the sole person known to News Corporation to be the owner of more than 5% of its Ordinary Shares.

Identity of Person or Group	Amount of Ordinary Shares Owned(1)	Percentage of Class
Cruden Investments	624,317,817(2)	29.8%(3)

(1) Based upon record ownership.

(2) Includes Ordinary Shares owned by (1) Mr. K. Rupert Murdoch, (2) Cruden Investments Pty. Limited, a private Australian investment company owned by Mr. K. Rupert Murdoch, members of his family and various corporations and trusts, the beneficiaries of which include Mr. K. Rupert Murdoch, members of his family and certain charities and (3) corporations which are controlled by trustees of settlements and trusts set up for the benefit of the Murdoch family, certain charities and other persons. By virtue of shares of News Corporation owned by such persons and entities, and Mr. K. Rupert Murdoch s positions as Chairman and Chief Executive of News Corporation, Mr. K. Rupert Murdoch may be deemed to control the operations of News Corporation. In addition, Mr. K. Rupert Murdoch, Cruden Investments Pty. Limited and such other entities beneficially own 220,085,372 Preferred Shares.

(3) Approximate percentage is calculated based on 2,095,959,003 Ordinary Shares outstanding on November 30, 2002. Does not consider as outstanding (i) 142,000-Ordinary Shares issuable upon exercise of outstanding stock options and (ii) up to 72,889,020 Preferred Shares issuable upon exchange of Liquid Yield Option Notes.

As of November 30, 2002, 2,494,999 News Corporation Ordinary Shares were held of record in the U.S. These Ordinary Shares were held by 157 record holders and represented 0.12% of the total number of News Corporation Ordinary Shares then outstanding. As of November 30, 2002, 1,300,806 News Corporation Preferred Shares were held of record in the U.S. These Preferred Shares were held by 69 record holders and represented 0.04% of the total number of News Corporation Preferred Shares then outstanding. As of November 30, 2002, 89,603,617 News Corporation Ordinary ADRs (representing 358,414,468 News Corporation Ordinary Shares) and 463,018,115 News Corporation Preferred ADRs (representing 1,852,072,460 News Corporation Preferred Shares), were held of record in the U.S. Such Ordinary ADRs were held by 871 record holders and represented 99.99% of the News Corporation Ordinary ADRs then outstanding and approximately 17.22% of the total number of News Corporation Ordinary Shares then outstanding. Such Preferred ADRs were held by 5,953 record holders and represented 98.28% of the News Corporation Preferred ADRs then outstanding and approximately 57.62% of the total number of News Corporation Preferred Shares then outstanding. Since certain of these Ordinary Shares, Preferred Shares, Ordinary ADRs and Preferred ADRs, were held by brokers or other nominees, the number of record holders in the U.S. may not be representative of the number of beneficial holders or where the beneficial holders are resident.

As far as is known to News Corporation, there are no arrangements the operation of which may at a subsequent date result in a change of control of News Corporation.

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RELATED PARTY TRANSACTIONS

Arrangements between News Corporation and Director-Related Entities

Directors of News Corporation and Directors of its related parties, or their director-related entities, conduct transactions with subsidiaries of News Corporation that occur within a normal employee, customer or supplier relationship on terms and conditions no more favorable than those with which it is reasonable to expect the entity would have adopted if dealing with the Director or director-related entity at arm s length in similar circumstances.

In 1999, the Company advanced US$1 million to Chase Carey, a Director of News Corporation, in connection with his relocation. This loan is non-interest bearing and repayable on or before January 19, 2005. As of November 30, 2002, US$1 million remained outstanding.

During fiscal 2001 and 2002 there were a number of transactions between News Corporation and Queensland Press Limited. Queensland Press Limited is controlled by Cruden Pty. Limited in which K. Rupert Murdoch, by reason of his beneficial and trustee interest, may be deemed to have an interest. The net value of these transactions was A$62,408,000 and A$62,432,000 for the years ending June 30, 2002 and 2001, respectively. Details of these transactions are set forth in Note 22 to the Consolidated Financial Statements.

Arrangements between News Corporation and Controlled Entities

News Corporation guaranteed borrowings of controlled and associated entities of A$15,441 million and A$18,805 million at June 30, 2002 and 2001, respectively. News Corporation guaranteed film distribution agreements in respect of controlled and associated entities of A$1,507 million and A$1,663 million at June 30, 2002 and 2001, respectively. Under terms of deeds of indemnity, any deficiency of funds, if any Australian wholly-owned controlled entity is wound up, will be met by the parent entity.

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ITEM 8. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

The financial statements filed as part of this document are included on pages F-1 to F-90.

Legal Proceedings

News Corporation has extensive international operations and is a party to a number of pending legal proceedings. News Corporation does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material effect on News Corporation s operations or financial results.

Dividends

News Corporation declares dividends on its Ordinary Shares and Preferred Shares from time to time at the discretion of its Board of Directors.

Significant Changes

Other than those events described in other items in this document, including Item 18: Financial Statements, and fluctuations in borrowings, there have not been any significant changes to our financial condition or results of operations since June 30, 2002.

ITEM 9. THE OFFER AND LISTING

News Corporation Ordinary Shares and News Corporation Preferred Shares are listed on the Australian Stock Exchange Limited (the ASX), which operates stock exchanges in the capital cities of each State in Australia, the London Stock Exchange and the New Zealand Stock Exchange. The ASX presently constitutes the principal non-U.S. trading market for News Corporation Ordinary Shares and Preferred Shares.

In the U.S., News Corporation Ordinary ADRs and News Corporation Preferred ADRs are listed on the New York Stock Exchange (the NYSE). In accordance with the rules of the NYSE, the News Corporation Ordinary Shares and Preferred Shares are also listed on the NYSE but only for technical reasons and without trading privileges.

The following table sets forth in Australian dollars the reported high and low closing sales prices on the ASX of Ordinary Shares and Preferred Shares for the periods listed.

	Ordinary Shares		Preferred Shares	
	A$ High	A$ Low	A$ High	A$ Low
Fiscal Year Ended June 30,				
1998	13.18	5.81	11.44	4.76
1999	14.24	8.64	13.46	7.65
2000	27.50	10.11	23.75	9.31
2001	26.05	13.85	22.35	12.40
2002	18.87	9.68	16.29	8.18
Fiscal Year Ended June 30,				
2001				
First Quarter	26.05	20.77	22.35	18.00
Second Quarter	25.43	13.85	21.64	12.40
Third Quarter	19.72	14.43	17.57	13.04
Fourth Quarter	19.16	15.01	16.40	12.79
2002				
First Quarter	18.87	12.06	16.29	10.60
Second Quarter	16.35	12.74	13.92	11.00
Third Quarter	15.66	11.86	13.16	10.08
Fourth Quarter	13.82	9.68	11.88	8.18

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2003				
First Quarter	10.81	8.46	9.28	7.20
Second Quarter (through November 30, 2002)	12.70	8.76	10.67	7.43
Month Ended				
June 30, 2002	13.05	9.68	10.79	8.18
July 31, 2002	10.81	8.46	9.28	7.20
August 31, 2002	10.81	8.77	9.06	7.40
September 30, 2002	10.03	8.79	8.50	7.53
October 31, 2002	10.88	8.76	9.16	7.43
November 30, 2002	12.70	10.62	10.67	8.95

The following table sets forth in U.S. dollars the reported high and low closing sales prices on the NYSE by calendar quarter of News Corporation Ordinary ADRs and Preferred ADRs for the periods listed.

	Ordinary ADRs		Preferred ADRs	
	US$ High	**US$ Low**	**US$ High**	**US$ Low**
Fiscal Year Ended June 30,				
1998	33.06	17.44	28.88	14.06
1999	36.44	20.81	33.69	18.25
2000	65.81	26.56	56.44	24.56
2001	57.38	28.70	48.63	24.60
2002	39.06	21.99	33.33	18.62
Fiscal Year Ended June 30,				
2001				
First Quarter	57.38	48.81	48.63	42.06
Second Quarter	54.75	30.44	45.94	27.00
Third Quarter	41.50	30.77	36.58	26.35
Fourth Quarter	39.32	28.70	34.09	24.60
2002				
First Quarter	39.06	23.55	33.33	20.51
Second Quarter	32.71	24.89	27.60	21.65
Third Quarter	32.41	24.97	27.15	20.99
Fourth Quarter	30.43	21.99	25.91	18.62
2003				
First Quarter	23.72	18.03	20.26	15.32
Second Quarter (through November 30, 2002)	28.14	18.90	23.81	16.00
Month Ended				
June 30, 2002	29.23	21.99	24.60	18.62
July 31, 2002	23.65	18.70	20.26	15.85
August 31, 2002	23.72	18.03	20.04	15.32
September 30, 2002	21.75	19.25	18.55	16.60
October 31, 2002	24.15	18.90	20.45	16.00
November 30, 2002	28.14	24.10	23.81	20.34

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ITEM 10. ADDITIONAL INFORMATION

Memorandum and Articles of Association

The Constitution of News Corporation, as amended on October 18, 1994, was filed as Exhibit 1.3 to the Annual Report of News Corporation on Form 20-F filed with the SEC for the fiscal year ended June 30, 1994. Amendments to the Constitution of News Corporation dated January 31, 1995 and October 10, 1995 were filed as Exhibit 1.1 to the Annual Report of News Corporation on Form 20-F filed with the SEC for the year ended June 30, 1995. An extract from the Notice of Annual General Meeting of News Corporation setting forth amendments to its Constitution adopted at its Annual General Meeting held on October 7, 1997, was filed as Exhibit 1.3 to the Annual Report of News Corporation on Form 20-F filed with the SEC for the fiscal year ended June 30, 1997. These exhibits are hereby incorporated by reference to this Annual Report.

Material Contracts

We have entered into the following contracts outside of the ordinary course of business during the two year period immediately preceding the date of this Annual Report.

Acquisition of Liberty s 21% interest in Gemstar-TV Guide

In September 2000, News Corporation announced that it agreed to acquire Liberty s 21% interest in Gemstar-TV Guide. In May 2001, News Corporation acquired from Liberty an approximately 17% interest in Gemstar-TV Guide in exchange for approximately 121.5 million ADRs (representing approximately 486 million News Corporation Preferred Shares). In December 2001, News Corporation acquired Liberty s remaining 4% interest in Gemstar-TV Guide in exchange for approximately 28.8 million ADRs (representing approximately 115.2 million News Corporation Preferred Shares).

Exchange Controls

Australian Exchange Controls and Other Limitations Affecting Holders

The Australian Banking (Foreign Exchange) Regulations and other Australian legislation and regulations control and regulate or permit the control and regulation of a broad range of payments and transactions involving non-residents of Australia. Pursuant to certain general and specific exemptions, authorities and approvals, however, News Corporation is not restricted from transferring funds from Australia or placing funds to the credit of non-residents of Australia subject to:

(i) withholding for Australian tax due in respect of dividends (to the extent they are unfranked) and interest or royalties paid to non-residents of Australia;

(ii) obtaining written approval of the Minister for Foreign Affairs for transactions involving the control or ownership of assets by persons or entities linked to terrorist activities and identified by the United Nations and the Commonwealth of Australia under the Charter of the United Nations (Anti-terrorism Persons and Entities) List, as published from time to time in the Commonwealth Government Gazette. This list currently includes individuals or entities linked with the Taliban, Osama bin Laden and other listed terrorist organizations. Transactions involving persons published in the Gazette without the permission of the Minister are a criminal offense;

(iii) obtaining prior Reserve Bank approval for transactions over A$100,000 involving the Embassy of the Federal Republic of Yugoslavia, the Consulate-General of the Federal Republic of Yugoslavia and Narodna Banka Jugoslavije (including Banque Nationale de Yugoslavie); and

(iv) obtaining prior Reserve Bank approval for transactions involving the Government of Iraq or its agencies and UNITA (the United Union for the Total Independence of Angola), its senior officials and their immediate families, and individuals associated with the regime of former President of Yugoslavia, Slobodan Milosevic. The Reserve Bank publishes changes to prohibited parties and variations in the restrictions on those parties from time to time in the Commonwealth Government Gazette.

Limitations on Foreign Acquisitions and Investment in Australian Companies

The following Australian laws impose limitations on the right of non-residents or non-citizens of Australia to hold, own or vote shares in News Corporation.

Australian Foreign Acquisitions and Takeovers Act

As applied to News Corporation, the Australian Foreign Acquisitions and Takeovers Act 1975, as amended (the Australian Foreign Takeovers Act), prohibits any of the following (each a foreign person):

(i) any natural person not ordinarily resident in Australia, or

(ii) any corporation or trustee of a trust estate in which a natural person not ordinarily resident in Australia or a foreign corporation (being a body corporate organized outside Australia) holds a substantial interest (defined below), or in which two or more such persons or foreign corporations hold an aggregate substantial interest (defined below),

from entering into an agreement by virtue of which the foreign person acquires any interests in any shares if the foreign person already holds a substantial interest in News Corporation, or on acquisition of those interests (together with any interests in other shares in News Corporation that the person has offered to acquire) the foreign person would hold a substantial interest, without first applying in the prescribed form for approval thereof by the Australian Treasurer and such approval being granted or (if no order is made) 40 days having elapsed after such application was made.

A person is taken to hold a substantial interest :

(a) in a corporation if the person, alone or together with any associates (as defined in the Australian Foreign Takeovers Act), is in a position to control not less than 15% of the voting power in the corporation or holds interests in not less than 15% of the issued shares in the corporation;

(b) in a trust estate, if the person alone or together with any associates (as so defined) holds a beneficial interest in not less than 15% of the corpus or income of the trust estate.

Two or more persons are taken to hold an aggregate substantial interest :

(c) in a corporation, if they together with any associates (as so defined) are in a position to control not less than 40% of the voting power in the corporation or hold not less than 40% of the issued shares in the corporation;

(d) in a trust estate, if they together with any associates hold in the aggregate beneficial interests in not less than 40% of the corpus or income of the trust estate.

Where a trustee has power or discretion under the terms of a trust as to the distribution of income or corpus of the trust estate to beneficiaries, each beneficiary is taken for the purposes of paragraphs (b) and (d) above to hold a beneficial interest in the maximum percentage of income or corpus of the trust estate that the trustee is empowered to distribute to that beneficiary.

The circumstances in which a person is to be taken to hold an interest in a share are widely described in the Australian Foreign Takeovers Act and, without limitation, include having a legal or equitable interest in the share, having entered into a contract to purchase the share or an option over the share or an interest in the share, or having the right to vote the share. The Australian Foreign Takeovers Act also provides that, for the purposes of such act, a holder of a substantial interest or holders of an aggregate substantial interest (including any such interest held by other applications of the relevant provision) in a corporation or a trust estate which is in a position to control any voting power in another corporation or holds interests in shares in another corporation or in another trust estate shall be taken to be in the position to control such voting power in the other corporation or to hold such interests in the other corporation or in the other trust estate (as the case may be).

The Australian Treasurer has the power to compel divestiture of shares where an Australian corporation becomes foreign controlled or undergoes a change in foreign control without consent (which is determined according to whether a substantial interest or an aggregate substantial interest is acquired by the foreign person

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or persons or, where foreign persons hold an aggregate substantial interest, there is any change in the foreign persons holding any interest) and the Treasurer is satisfied that such a result would be contrary to the national interest. Notwithstanding that the Australian Foreign Takeovers Act does not require compulsory notification of the acquisition of an aggregate substantial interest, the Australian Treasury Department which administers the Australian Foreign Takeovers Act has stated that any transaction which falls within the scope of the order-making powers of the Australian Foreign Takeovers Act should be the subject of a voluntary notification under that Act, unless the transaction is a portfolio investment of less than five percent. The Australian Treasury Department defines a portfolio shareholding as one that does not enable the owner of the shares to exercise control or potential control over the operations of the company.

News Corporation believes that Cruden Investments may technically be deemed to be a foreign person under the Australian Foreign Takeovers Act. As of November 30, 2002, based upon the latest information available to it, News Corporation has reason to believe that approximately an additional 44.1% of the Ordinary Shares is held by a foreign person or persons; thus foreign persons may hold an aggregate substantial interest in News Corporation.

Corporations Act of Australia

As applied to News Corporation, the Australian Corporations Act 2001 (the Corporations Act) prohibits any legal person (including a corporation) from acquiring a relevant interest in Ordinary Shares (or, if issued, Redeemable Ordinary Shares, as hereinafter defined) if after the acquisition that person s or any other person s voting power in News Corporation increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.

This prohibition is subject to a number of specific exceptions set out in section 611 of the Corporations Act which must be strictly complied with to be applicable.

In general terms, a person is considered to have a relevant interest in a share in News Corporation if that person is the holder of that share, has the power to exercise, or control the exercise of, a right to vote attached to that share, or has the power to dispose of, or control the exercise of a power to dispose of that share.

It does not matter how remote the relevant interest is or how it arises. The concepts of power and control are given wide and extended meanings in this context in order to deem certain persons to hold a relevant interest. For example, each person who has voting power above 20% in a company or a managed investment scheme which in turn holds shares in News Corporation is deemed to have a relevant interest in those News Corporation shares. Certain situations (set out in section 609 of the Corporations Act) which would otherwise constitute the holding of a relevant interest are excluded from the definition.

A person s voting power in News Corporation is that percentage of the total votes attached to Ordinary Shares (or, if issued, Redeemable Ordinary Shares) in which that person and its associates (as defined in the Corporations Act) holds a relevant interest.

Taxation

The following is a summary of the taxes payable by holders of News Corporation shares or News Corporation ADRs who are resident in the U.S. under U.S. and Australian laws and regulations and the United States Australia Income Tax Convention (the Treaty), both as in effect on the date hereof.

The discussion of tax consequences generally applies to U.S. Holders. For purposes hereof, a U.S. Holder is a holder of News Corporation shares or News Corporation ADRs who is (i) a citizen or resident of the U.S., (ii) a corporation or partnership organized under the laws of the U.S. or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. However, in the case of a partnership, estate or trust, the term U.S. Holder shall only include the partnership, estate or trust to the extent its income is taxed to the entity or its partners or beneficiaries on a net income basis by the U.S.

The discussion set forth below is only a general summary and does not purport to be a technical analysis nor a description of all possible tax consequences. Tax consequences to each holder of News Corporation shares or News Corporation ADRs will depend upon the particular facts and circumstances of each holder. Accordingly, each person should consult with his own professional advisor with respect to the tax consequences of his ownership and disposition of News Corporation shares or News Corporation ADRs.

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The summary of Australian tax consequences relates to the material aspects of the Australian taxation position of U.S. Holders and may not completely or accurately describe the Australian tax consequences to all U.S. Holders. For example, the summary does not address the tax consequences to U.S. Holders that are resident in Australia for Australian purposes, or U.S. Holders whose holding of News Corporation shares or ADRs is effectively connected with permanent establishments in Australia (or, in the case of U.S. Holders who perform independent personal services from fixed bases situated in Australia, whose holding of News Corporation shares or News Corporation ADRs is effectively connected with such fixed bases).

Similarly, the summary of U.S. tax consequences relates to the material aspects of the U.S. taxation position of U.S. Holders and may not completely or accurately describe the U.S. tax consequences to all U.S. Holders. For example, special rules may apply to U.S. Holders of stock representing 10 percent or more of the total combined voting power of News Corporation, U.S. expatriates, insurance companies, tax-exempt organizations, banks and other financial institutions, persons subject to the alternative minimum tax, securities broker-dealers, traders in securities that elect to mark-to-market, and persons holding their News Corporation shares or News Corporation ADRs as parties to a conversion transaction, among others.

This summary does not discuss any tax rules other than Australian tax and U.S. federal income tax rules. The Australian and U.S. tax authorities and courts are not bound by this summary and may disagree with its conclusions.

Cash Dividends

Australian Tax Consequences. Under the Australian imputation system of taxation, dividends paid out of News Corporation s profits which have been taxed at the maximum corporate tax rate then in effect are referred to as fully franked dividends.

In the case of fully franked dividends paid to shareholders who are not residents of Australia, no Australian dividend withholding tax is payable and such dividends are not subject to Australian income tax in the hands of such non-resident shareholders.

Dividends which are paid from profits on which no Australian income tax has been paid are referred to as unfranked dividends. Unfranked dividends are subject to withholding tax when paid to shareholders who are non-residents of Australia. Pursuant to the tax treaty which is currently in effect between Australia and the U.S., the withholding tax imposed on dividend payments to a qualifying U.S. resident by News Corporation is limited to 15% of the gross dividend. When a dividend is paid by News Corporation to a holder of News Corporation shares who is resident in the U.S., the 15% withholding tax is withheld by News Corporation at the time the dividend is paid and then remitted by News Corporation directly to the Australian Taxation Office. With respect to holders of News Corporation ADRs who are residents of the U.S., the 15% withholding tax is withheld by the Australian nominee record holder of the shares underlying the ADRs at the time when the dividend is remitted by the record holder to Citibank, N.A. (the Depositary for the News Corporation ADRs).

In the circumstances where the profits out of which News Corporation has paid a dividend have been taxed at a rate that is less than the maximum corporate tax rate then in effect, the dividends received by shareholders will be partially franked. In these circumstances, dividends paid to shareholders who are not residents of Australia will be subject to withholding tax on the unfranked portion of the dividend.

To the extent that otherwise unfranked dividends paid to non-residents of Australia by News Corporation are paid out of certain dividends received by News Corporation from its non-Australian subsidiaries, those dividends (FDA dividends) are exempt from Australian divided withholding tax. Non-residents of Australia will have no further Australian income tax liability in respect of FDA dividends or fully franked dividends nor in respect of dividends which are not fully franked once the withholding tax in respect thereof has been paid. Non-residents with no other source of Australian income are not required to file an Australian income tax return. Dividend statements will be sent to all shareholders which indicate the extent to which dividends are FDA dividends or are franked, the amount of any tax withheld and the amount of any imputation credits attaching to the dividends.

The dividends paid by News Corporation in fiscal 2002 on its Ordinary Shares and Preferred Shares were partly franked and the unfranked parts were not FDA dividends.

Subject to certain complex limitations, residents of the U.S. are permitted to elect to take a credit against income tax payable to the U.S. for the Australian tax withheld with respect to dividends paid to them by News Corporation. Alternatively, residents of the U.S. may deduct the Australian tax withheld.

U.S. Tax Consequences. For U.S. federal income tax purposes, the gross amount of a dividend (including any withholding tax) will be included in a U.S. Holder s gross income as dividend income when payment is actually or constructively received by the U.S. Holder in the case of News Corporation shares or the Depositary in the case of ADRs, to the extent they are paid out of News Corporation s current or accumulated earnings and profits as calculated for U.S. federal income tax purposes. Any non-U.S. withholding tax with respect to a dividend may be used as a credit against a U.S. Holder s U.S. federal income tax liability, subject to specific conditions and limitations. Dividends paid by News Corporation will not give rise to any U.S. dividends received deduction. Dividends will generally constitute foreign source passive income for foreign tax credit purposes.

The amount of any dividend paid in non-U.S. currency will be equal to the U.S. dollar value of such currency on the date the dividend is included in income, regardless of whether the payment is in fact converted into U.S. dollars. A U.S. Holder will generally be required to recognize U.S. source ordinary income or loss when such U.S. Holder sells or disposes of non-U.S. currency. A U.S. Holder may also be required to recognize foreign currency gain or loss upon receipt of a refund under the Treaty of tax withheld in excess of the Treaty rate. This foreign currency gain or loss will generally be U.S. source ordinary income or loss.

To the extent that any distribution paid exceeds News Corporation s current and accumulated earnings and profits as calculated for U.S. federal income tax purposes, the distribution will be treated as follows:

First, as a tax-free return of capital, which will cause a reduction in the adjusted tax basis of the U.S. Holder s News Corporation shares or ADRs. This adjustment will increase the amount of gain, or decrease the amount of loss, that such U.S. Holder will recognize on a later disposition of those News Corporation shares or ADRs; and

Second, the balance of the dividend in excess of the adjusted tax basis in a U.S. Holder s News Corporation shares or ADRs will be taxed as capital gain recognized on a sale or exchange.

Capital Gains

Australian Tax Consequences. Non-residents of Australia who do not hold and have not at any time in the five years preceding the disposal of News Corporation s shares held (for their own account or together with associates) a beneficial interest of 10% or more of the issued share capital of News Corporation are not liable for Australian capital gains tax on the disposal of the shares provided that the shares have not been used in carrying on business (*e.g*. share trading) at or through a permanent establishment in Australia. This also applies to any disposal of News Corporation ADRs, provided the holder and his associates do not hold and have not at any time in the five years preceding the disposal held a beneficial interest of 10% or more of the issued share capital of News Corporation. This means that a holder of such securities who is not a resident of Australia (other than non-residents who carry on business in Australia through a permanent establishment) will not be subject to capital gains tax under Australian law upon the sale of such holder s News Corporation ADRs or the exchange of such holder s News Corporation ADRs for the relevant underlying shares of News Corporation, provided that the News Corporation ADRs have not been used in carrying on a business at or through a permanent establishment in Australia. Holders engaged in a business of trading or dealing in shares may be subject to tax on disposal profits which constitute ordinary income, as opposed to capital gain, if those disposal profits are from sources in Australia.

U.S. Tax Consequences. In general, for U.S. federal income tax purposes, a U.S. Holder will recognize capital gain or loss if such U.S. Holder sells or exchanges News Corporation shares or ADRs, provided that such News Corporation shares or ADRs are capital assets in the hands of such U.S. holder. Any gain or loss will generally be U.S. source gain or loss. For an individual, any capital gain will generally be subject to U.S. federal income tax at preferential rates if the individual has held the shares or ADRs for more than one year.

Dividend Reinvestment Plan (the DRP)

Dividends reinvested under the DRP are generally taxable (and subject to Australian withholding tax) in the same manner as cash dividends. The DRP, however, is not available to holders of News Corporation Ordinary ADRs or Preferred ADRs who hold their ADRs through nominees.

A person who is not a resident of Australia, and who does not hold and has not at any time in the five years preceding any disposal of shares issued under the DRP held (for his own account or together with associates) a beneficial interest of 10% or more of the issued share capital of News Corporation, will not be subject to Australian capital gains tax upon his sale of those shares, provided that the shares have not been used in carrying on business (*e.g.*, share trading) at or through a permanent establishment in Australia.

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Australian Stamp Duty

No stamp duty will be payable under the laws of the State of South Australia (the state of incorporation of News Corporation) or any other Australian jurisdiction upon the transfer of any News Corporation ADRs or the transfer of any News Corporation shares (assuming in the later case that at the time of transfer the shares are quoted on the Australian Stock Exchange Limited, the New York Stock Exchange or any other stock exchange that is a member of the Federation Internationale de Bourses de Valeurs).

Other dealings in relation to shares of News Corporation may have stamp duty consequences in one or more Australian jurisdictions.

U.S. Passive Foreign Investment Company Rules

News Corporation believes that it will not be treated as a passive foreign investment company (PFIC) for U.S. federal income tax purposes for the current taxable year or for future taxable years. However, an actual determination of PFIC status is factual and cannot be made until the close of the applicable taxable year. News Corporation would be a PFIC for any taxable year in which either:

75% or more of its gross income is passive income; or

Its assets that produce passive income or that are held for the production of passive income amount to at least 50% of the value of its total assets on average.

For purposes of this test, News Corporation will be treated as directly owning its proportionate share of the assets, and directly receiving its proportionate share of the gross income, of each corporation in which News Corporation owns, directly or indirectly, at least 25% of the value of the shares of such corporation.

If News Corporation were to become a PFIC, the tax applicable to distributions on News Corporation shares or ADRs and any gains a U.S. Holder recognizes on disposition of such shares or ADRs may be less favorable to such U.S. Holder. Accordingly, each person should consult with his own professional advisor regarding the PFIC rules.

United States Information Reporting and Backup Withholding

Dividend payments on News Corporation shares or ADRs and proceeds from the sale, exchange or other disposition of such shares or ADRs may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. The rate of backup withholding will be 30% in 2003, 29% in 2004 and 2005, and 28% in 2006 through 2010. Backup withholding will not apply to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification, or who is otherwise exempt from backup withholding. Any U.S. persons required to establish their exempt status generally must file Internal Revenue Service Form W-9, Request for Taxpayer Identification Number and Certification. Recently finalized Treasury regulations have generally expanded the circumstances under which information reporting and backup withholding may apply.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder s U.S. federal income tax liability. A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

Documents on Display

News Corporation is subject to periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, News Corporation is required to file reports and other information with the U.S. Securities and Exchange Commission (SEC). Copies of reports and other information, when so filed, may be inspected free of charge and may be obtained at prescribed rates at the public reference facility maintained by the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

News Corporation has exposure to several types of market risk: changes in foreign currency exchange rates, interest rates and stock prices. The Group neither holds nor issues financial instruments for trading purposes.

Foreign Currency Exchange Rates

News Corporation conducts operations in three principal currencies: the U.S. dollar, the British pound sterling and the Australian dollar. These currencies operate as the functional currency for the Group s U.S., U.K. and Australian operations, respectively. Cash is managed centrally within each of the three countries with net earnings reinvested locally and working capital requirements met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, drawdowns in the appropriate local currency are available under the Revolving Credit Agreement. Currently, the Group s foreign (i.e., U.S. and U.K.) operations account for approximately 92% of consolidated revenues, 93% of consolidated operating income and 79% of consolidated assets. However, since earnings of the Group s U.S. and U.K. operations are expected to be reinvested in those businesses indefinitely, the Group does not hedge its investment in the net assets of those foreign operations.

At June 30, 2002, the Group had foreign currency swaps and a foreign currency-denominated loan outstanding. The Group utilizes a Value-at-Risk (VAR) model to determine the maximum potential one-day loss in earnings resulting from a change in the fair value of these financial instruments as a result of changes in foreign currency spot rates and interest rates. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. To quantify the potential loss, the Group uses a statistical approach that involves taking a series of historical price changes of a financial instrument and constructing a normal distribution from the data in order to measure the probability of future changes in value. As of and for the year ended June 30, 2002, the VAR, which is the potential one-day loss in earnings associated with the Group s exposure to its foreign currency swaps, was US$2.82 million. The VAR model is a risk analysis tool and does not purport to represent actual losses in fair value that the Group may incur.

Interest Rates

The Group s current financing arrangements and facilities include A$15.3 billion of outstanding debt with fixed interest and an unused Revolving Credit Agreement, which carries variable interest. Fixed and variable rate debts are impacted differently by changes in interest rates. A change in the interest rate or yield of fixed rate debt will only impact the fair value of such debt, while a change in the interest rate of variable debt will impact interest expense as well as the amount of cash required to service such debt. As of June 30, 2002, substantially all of the Group s fixed rate debt was denominated in U.S. dollars.

Stock Prices

The Group has common stock investments in several publicly traded companies that are subject to market price volatility. These investments have an aggregate carrying value of approximately A$14,918 million as of June 30, 2002. A hypothetical decrease in the market price of these investments of 10% would result in a fair value of approximately A$13,426 million. Under US-GAAP, such a hypothetical decrease would result in a decrease in comprehensive income of approximately A$54.9 million.

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ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable

ITEM 15. CONTROLS AND PROCEDURES

Not applicable

ITEM 16. RESERVED

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PART III

ITEM 17. FINANCIAL STATEMENTS

The registrant has responded to Item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

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5. Pursuant to the rules of the Securities and Exchange Commission (the SEC), the Group is required to include, as part of this Annual Report on Form 20-F, separate audited financial statements of Gemstar-TV Guide International, Inc. (Gemstar-TV Guide), an entity in which the Group has an equity interest, for the periods ended December 31, 2001 and 2000. Gemstar-TV Guide has recently retained new auditors, who are currently performing an audit of Gemstar-TV Guide s previously issued financial statements. Gemstar-TV Guide has informed the Group that the audit has not been completed at the date hereof, and consequently, Gemstar-TV Guide cannot provide its audited financial statements to the Group. As a result of Gemstar-TV Guide s inability to provide the audited financial statements, the Group has omitted such audited financial statements from this Annual Report on Form 20-F in reliance on Rule 12b-21 promulgated under the Securities Exchange Act of 1934.

   In accordance with Rule 12b-21, the Group is providing the following information:

   1. The Gemstar-TV Guide audited financial statements cannot be acquired without unreasonable effort or expense. Gemstar-TV Guide s auditors were engaged by Gemstar-TV Guide s audit committee, and not by the Group. Gemstar-TV Guide has stated that the procedures required to be performed by the new auditors, and the issuance of their audit report, will not be completed until early in calendar 2003. No effort or expense by the Group would have permitted the audit to be completed by Gemstar-TV Guide s new auditors, with the resulting audit report issued, prior to the date that the Group s Annual Report on Form 20-F for the fiscal year ended June 30, 2002 is required to be filed with the SEC.

   2. Rule 12b-21 requires a registrant relying on the Rule to provide such information on the subject as it possesses or can acquire without unreasonable effort or expense, including the sources thereof. Due to Gemstar-TV Guide s inability to provide audited financial statements, the Group is unable to provide the audited financial statements of Gemstar-TV Guide. Gemstar-TV Guide, which itself is a registrant with reporting obligations to the SEC, filed Amendment No. 2 to its Form 10-K for the period ended December 31, 2001 on November 14, 2002. Gemstar-TV Guide's Form 10-K/A included restated unaudited consolidated financial statements as of December 31, 2001 and 2000, and for the year ended December 31, 2001, the nine months ended December 31, 2000 and the year ended March 31, 2000. Gemstar-TV Guide states in its Form 10-K/A that the restated Unaudited Consolidated Financial Statements included in this Amendment No. 2 have not been audited or reviewed by an independent accounting firm and should not be relied upon. Accordingly, the Group does not believe that any reliance should be placed on the unaudited financial information of Gemstar-TV Guide. As a result, the Group has not included such financial information in this Form 20-F.

Schedules other than the one listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the respective financial statements or notes thereto. Columns omitted from schedules filed have been omitted because the information is not applicable.

ITEM 19. EXHIBITS

Number	Description
1.1	Memorandum and Constitution of The News Corporation Limited, as amended on October 18, 1994.[1]
1.2	Amendments to the Constitution of The News Corporation Limited, dated January 31, 1995 and October 10, 1995.[2]
1.3	Extract from the Notice of Annual General Meeting of The News Corporation Limited setting forth amendments to its Constitution, adopted at its Annual General Meeting held on October 7, 1997.[3]
2.1	Amended and Restated Deposit Agreement, dated as of December 3, 1996, among The News Corporation Limited, Citibank, N.A. and the holders from time to time of American Depositary Receipts issued thereunder, representing American Depositary Shares of The News Corporation Limited each representing four Preferred Shares.[4]
2.2	Amended and Restated Deposit Agreement, dated as of October 29, 1996, among The News Corporation Limited, Citibank, N.A. and the holders from time to time of American Depositary Receipts issued thereunder, representing American Depositary Shares of The News Corporation Limited each representing four Ordinary Shares.[5]
2.3	Composite Revolving Credit Agreement, dated as of May 19, 1993 (including amendments dated August 9, 1993, September 14, 1993, May 12, 1994, March 30, 1995, February 29, 1996 and December 20, 1996) among News America Incorporated et al, several agents, managers and banks.[6]
2.4	Amendment No. 7, dated as of June 8, 1998, to the Revolving Credit Agreement dated as of May 19, 1993 (as amended on August 9, 1993, September 14, 1993, May 12, 1994, March 30, 1995, February 29, 1996 and December 20, 1996) among News America Incorporated et al, several agents, managers and banks.[7]
2.5	Amendment No. 8, dated as of November 22, 2000, to the Revolving Credit Agreement dated as of May 19, 1993 (as amended on August 9, 1993, September 14, 1993, May 12, 1994, March 30, 1995, February 29, 1996, December 20, 1996 and June 8, 1998) among News America Incorporated et al, several agents, managers and banks.[8]
2.6	Form of Preferred Ordinary Shares of The News Corporation Limited.[9]
2.7	Form of Preferred American Depositary Shares of The News Corporation Limited.[10]
2.8	Form of Ordinary Shares of The News Corporation Limited.[11]
2.9	Form of Ordinary American Depositary Shares of The News Corporation Limited.[12]
2.10	Indenture, dated as of February 28, 2001, by and among News America Incorporated, The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to the Liquid Yield Option Notes due February 28, 2021.[13]
2.11	Indenture, dated as of October 15, 1992, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company, as Trustee, with respect to the 10 $^1/8$% Senior Debentures due October 15, 2012.[14]
2.12	First Supplemental Indenture, dated as of May 20, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the 10 $^1/8$% Senior Debentures due October 15, 2012.[15]
2.13	Second Supplemental Indenture, dated as of July 21, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other

	Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the 10 $^1/8$% Senior Debentures due October 15, 2012.[16]
2.14	Third Supplemental Indenture, dated as of May 12, 1994, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the 10 $^1/8$% Senior Debentures due October 15, 2012.[17]
2.15	Form of Fourth Supplemental Indenture, dated as of August 1, 1995, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the 10 $^1/8$% Senior Debentures due October 15, 2012.[18]
2.16	Fifth Supplemental Indenture, dated March 2, 2000, by and among News America Incorporated, The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the 10 $^1/8$% Senior Debentures due October 15, 2012.[19]
2.17	Sixth Supplemental Indenture, dated as of February 14, 2001, by and among News America Incorporated, The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the 10 $^1/8$% Senior Debentures due October 15, 2012.[20]
2.18	Indenture, dated as of January 28, 1993, by and among News America Holdings Incorporated, The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[21]
2.19	First Supplemental Indenture, dated as of March 24, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[22]
2.20	Second Supplemental Indenture, dated as of April 8, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[23]
2.21	Third Supplemental Indenture, dated as of May 20, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[24]
2.22	Fourth Supplemental Indenture, dated as of May 28, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[25]
2.23	Fifth Supplemental Indenture, dated July 21, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[26]
2.24	Form of Sixth Supplemental Indenture, dated as of January 25, 1994, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[27]
2.25	Form of Seventh Supplemental Indenture, dated as of February 4, 1994, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation

	Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[28]
2.26	Form of Eighth Supplemental Indenture, dated as of May 12, 1994, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[29]
2.27	Form of Ninth Supplemental Indenture, dated as of August 1, 1995, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[30]
2.28	Form of Tenth Supplemental Indenture, dated as of March 2, 2000, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[31]
2.29	Form of Eleventh Supplemental Indenture, dated as of February 14, 2001, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and State Street Bank and Trust Company (as successor to The First National Bank of Boston), as Trustee, with respect to the senior debt securities.[32]
2.30	Amended and Restated Indenture, dated as of March 24, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities.[33]
2.31	First Supplemental Indenture, dated as of May 20, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities.[34]
2.32	Second Supplemental Indenture, dated as of May 28, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities.[35]
2.33	Third Supplemental Indenture, dated as of July 21, 1993, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities.[36]
2.34	Fourth Supplemental Indenture, dated as of October 20, 1995, by and among News America Holdings Incorporated (currently News America Incorporated), The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities.[37]
2.35	Fifth Supplemental Indenture, dated as of January 8, 1998, by and among News America Incorporated, The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities.[38]
2.36	Sixth Supplemental Indenture, dated as of March 1, 1999, by and among News America Incorporated, The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities.[39]
2.37	Seventh Supplemental Indenture, dated as of February 14, 2001, by and among News America Incorporated, The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to senior debt securities.[40]

2.38	Indenture, dated as of November 12, 1996, by and among News America Holdings Incorporated, The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to the 5% Subordinated Discount Debentures due 2016.[41]
2.39	First Supplemental Indenture, dated as of March 2, 2000, by and among News America Incorporated, The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to the 5% Subordinated Discount Debentures due 2016.[42]
2.40	Second Supplemental Indenture, dated as of February 14, 2001, by and among News America Incorporated, The News Corporation Limited, the other Guarantors named therein and The Bank of New York, as Trustee, with respect to the 5% Subordinated Discount Debentures due 2016.[43]
2.41	Other long-term borrowing instruments are omitted pursuant to Instruction 2(b) of the Instructions as to Exhibits to Form 20-F. The News Corporation Limited undertakes to furnish copies of such instruments to the Securities and Exchange Commission upon request.
4.1	Agreement and Plan of Merger, dated as of May 2, 2001, by and among Liberty Media Corporation, Liberty UVSG, Inc., The News Corporation Limited and News Publishing Australia Limited.[44]
4.2	Agreement and Plan of Merger, dated as of November 27, 2001, by and among Liberty Media Corporation, Liberty TVGIA, Inc., The News Corporation Limited and News Publishing Australia Limited.[45]
8	List of Subsidiaries.*
10.1	Consent of Ernst & Young regarding The News Corporation Limited.*
10.2	Consent of Ernst & Young LLP regarding Fox Entertainment Group, Inc.*
10.3	Consent of Deloitte & Touche regarding British Sky Broadcasting plc.*
10.4	Consent of Reconta Ernst & Young S.p.A. regarding Stream S.p.A.*
10.5	Notice regarding consent of Arthur Andersen LLP regarding The News Corporation Limited.*
10.6	Notice regarding consent of Arthur Andersen LLP regarding Fox Entertainment Group, Inc.*
10.7	Notice regarding consent of Arthur Andersen LLP regarding Stream S.p.A.*
10.8	Excerpt entitled Government Regulation of Item 4-Description of Business from the Annual Report on Form 20-F of British Sky Broadcasting Group plc for its fiscal year ended June 30, 2002.*
99.1	Statement with respect to Certifications pursuant to USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

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* Filed herewith.

1 Incorporated by reference to Exhibit 1.3 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 1994.

2 Incorporated by reference to Exhibit 1.1 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 1995.

3 Incorporated by reference to Exhibit 1.3 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 1997.

4 Incorporated by reference to Exhibit 4.2 to the Registration Statement of The News Corporation Limited on Form F-4 (Registration No. 333-6190) filed with the Securities and Exchange Commission on December 20, 1996.

5 Incorporated by reference to Exhibit 4.1 to the Registration Statement of The News Corporation Limited on Form S-8 (Registration No. 333-10338) filed with the Securities and Exchange Commission on May 10, 1999.

6 Incorporated by reference to Exhibit 10.21 to Amendment No. 4 to the Registration Statement of Fox Entertainment Group, Inc. on Form S-1 (Registration No. 333-61515) filed with the Securities and Exchange Commission on November 4, 1998.

7 Incorporated by reference to Exhibit 10.32 to Amendment No. 4 to the Registration Statement of Fox Entertainment Group, Inc. on Form S-1 (Registration No. 333-61515) filed with the Securities and Exchange Commission on November 4, 1998.

8 Incorporated by reference to Exhibit 1.1 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2000.

9 Incorporated by reference to Exhibit (a) to the Registration Statement of The News Corporation Limited on Form 8-A (File No. 1-9141) filed with the Securities and Exchange Commission on November 2, 1994.

10 Incorporated by reference to Exhibit A of Exhibit 4.2 to Amendment No. 1 to the Registration Statement of The News Corporation Limited on Form F-3 (Registration No. 333-13556) filed with the Securities and Exchange Commission on June 29, 2001.

11 Incorporated by reference to Exhibit (a) to the Registration Statement of The News Corporation Limited on Form 8-A (File No. 1-9141) filed with the Securities and Exchange Commission on November 2, 1994.

12 Incorporated by reference to Exhibit A of Exhibit (c) to the Registration Statement of The News Corporation Limited on Form F-8-A (File No. 1-9141) filed with the Securities and Exchange Commission on November 2, 1994.

13 Incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Registration Statement of The News Corporation Limited on Form F-3 (Registration No. 333-13556) filed with the Securities and Exchange Commission on June 29, 2001.

14 Incorporated by reference to Exhibit 10.13 to Amendment No. 1 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-57286) filed with the Securities and Exchange Commission on January 27, 1993.

15 Incorporated by reference to Exhibit 10.16 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-63604) and Post-Effective Amendment No. 1 to the Registration Statement on Form F-3 of the News America Holdings Incorporated (Registration No. 33-59688) filed with the Securities and Exchange Commission on May 28, 1993.

16 Incorporated by reference to Exhibit 10.10 to Amendment No. 1 to the Registration Statement of The News Corporation Limited on Form F-3 (Registration No. 33-66930) filed with the Securities and Exchange Commission on August 11, 1993.

17 Incorporated by reference to Exhibit No. 2.3 to the Annual Report of The News Corporation Limited on Form 20-F (as amended) (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 1994.

18 Incorporated by reference to Exhibit No. 2.3 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 1995.

19 Incorporated by reference to Exhibit 2.16 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2000.

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20 Incorporated by reference to Exhibit 2.17 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2001.

21 Incorporated by reference to Exhibit 2 to the Report of The News Corporation Limited on Form 6-K filed with the Securities and Exchange Commission dated January 28, 1993.

22 Incorporated by reference to Exhibit 2 to the Report of The News Corporation Limited on Form 6-K filed with the Securities and Exchange Commission dated April 26, 1993.

23 Incorporated by reference to Exhibit 3 to the Report of The News Corporation Limited on Form 6-K filed with the Securities and Exchange Commission dated April 26, 1993.

24 Incorporated by reference to Exhibit 4.7 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-63604) and Post-Effective Amendment No. 1 to the Registration Statement on Form F-3 of News America Holdings Incorporated (Registration No. 33-59688) filed with the Securities and Exchange Commission on May 28, 1993.

25 Incorporated by reference to Exhibit 4.8 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-63604) and Post-Effective Amendment No. 1 to the Registration Statement on Form F-3 of News America Holdings Incorporated (Registration No. 33-59688) filed with the Securities and Exchange Commission on May 28, 1993.

26 Incorporated by reference to Exhibit 4.6 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-74574) filed with the Securities and Exchange Commission on January 28, 1994.

27 Incorporated by reference to Exhibit 4.7 to Amendment No. 1 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-74574) filed with the Securities and Exchange Commission on February 4, 1994.

28 Incorporated by reference to Exhibit 4.8 to Amendment No. 1 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-79334) filed with the Securities and Exchange Commission on June 14, 1994.

29 Incorporated by reference to Exhibit 4.9 to Amendment No. 1 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-79334) filed with the Securities and Exchange Commission on June 14, 1994.

30 Incorporated by reference to Exhibit 4.10 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-94868) filed with the Securities and Exchange Commission on July 24, 1995.

31 Incorporated by reference to Exhibit 10.12 to the Annual Report of Fox Entertainment Group, Inc. on Form 10-K (File No. 1-14595) filed with the Securities and Exchange Commission on September 28, 2001.

32 Incorporated by reference to Exhibit 10.13 to the Annual Report of Fox Entertainment Group, Inc. on Form 10-K (File No. 1-14595) filed with the Securities and Exchange Commission on September 28, 2001.

33 Incorporated by reference to Exhibit 4.1 to the Registration Statement of The News Corporation Limited on Form F-3 (Registration No. 33-67008) filed with the Securities and Exchange Commission on May 4, 1993.

34 Incorporated by reference to Exhibit 4.1 to the Registration Statement of The News Corporation Limited on Form F-3 (Registration No. 33-67008) filed with the Securities and Exchange Commission on May 4, 1993.

35 Incorporated by reference to Exhibit 4.3 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-63604) and Post-Effective Amendment No. 1 to the Registration Statement News America Holdings Incorporated on Form F-3 (Registration No. 33-59688) filed with the Securities and Exchange Commission on May 28, 1993.

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36 Incorporated by reference to Exhibit 4.14 to Amendment No. 1 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-98238) filed with the Securities and Exchange Commission on October 23, 1995.

37 Incorporated by reference to Exhibit 4.15 to Amendment No. 1 to the Registration Statement of News America Holdings Incorporated on Form F-3 (Registration No. 33-98238) filed with the Securities and Exchange Commission on October 23, 1995.

38 Incorporated by reference to Exhibit 10.20 to the Annual Report of Fox Entertainment Group, Inc. on Form 10-K (File No. 1-14595) filed with the Securities and Exchange Commission on September 28, 2001.

39 Incorporated by reference to Exhibit 10.21 to the Annual Report of Fox Entertainment Group, Inc. on Form 10-K (File No. 1-14595) filed with the Securities and Exchange Commission on September 28, 2001.

40 Incorporated by reference to Exhibit No. 1.5 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 1996.

41 Incorporated by reference to Exhibit 10.3 to the Registration Statement of The News Corporation Limited on Form F-3 (Registration No. 33-46196) filed with the Securities and Exchange Commission on March 24, 1992.

42 Incorporated by reference to Exhibit 2.39 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2001.

43 Incorporated by reference to Exhibit 2.40 to the Annual Report of The News Corporation Limited on Form 20-F (File No. 1-9141) filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2001.

44 Incorporated by reference to Exhibit 7(g) to Amendment No. 2 of Schedule 13D/A of The News Corporation Limited and certain other persons filed with the Securities and Exchange Commission on May 17, 2001.

45 Incorporated by reference to Exhibit 7(j) to Amendment No. 3 of Schedule 13D/A of The News Corporation Limited and certain other persons filed with the Securities and Exchange Commission on December 7, 2001.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

THE NEWS CORPORATION LIMITED

By: /s/ ARTHUR M. SISKIND

Arthur M. Siskind
Director

Date: December 30, 2002.

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Certifications

I, K. Rupert Murdoch, Chairman and Chief Executive of The News Corporation Limited (the Company), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;

2. Based on my knowledge, the annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report.

Date: December 30, 2002

/s/ K. Rupert Murdoch

K. Rupert Murdoch
Chairman and Chief Executive

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I, David F. DeVoe, Senior Executive Vice President and Chief Financial Officer of The News Corporation Limited (the Company), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;

2. Based on my knowledge, the annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report.

Date: December 30, 2002

/s/ DAVID F. DEVOE

David F. DeVoe
Senior Executive Vice President and Chief Financial Officer

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS

I. The News Corporation Limited and Subsidiaries

V. Pursuant to the rules of the Securities and Exchange Commission (the SEC), the Group is required to include, as part of this Annual Report on Form 20-F, separate audited financial statements of Gemstar-TV Guide International, Inc. (Gemstar-TV Guide), an entity in which the Group has an equity interest, for the periods ended December 31, 2001 and 2000. Gemstar-TV Guide has recently retained new auditors, who are currently performing an audit of Gemstar-TV Guide s previously issued financial statements. Gemstar-TV Guide has informed the Group that the audit has not been completed at the date hereof, and consequently, Gemstar-TV Guide cannot provide its audited financial statements to the Group. As a result of Gemstar-TV Guide s inability to provide the audited financial statements, the Group has omitted such audited financial statements from this Annual Report on Form 20-F in reliance on Rule 12b-21 promulgated under the Securities Exchange Act of 1934.

In accordance with Rule 12b-21, the Group is providing the following information:

1. The Gemstar-TV Guide audited financial statements cannot be acquired without unreasonable effort or expense. Gemstar-TV Guide s auditors were engaged by Gemstar-TV Guide s audit committee, and not by the Group. Gemstar-TV Guide has stated that the procedures required to be performed by the new auditors, and the issuance of their audit report, will not be completed until early in calendar 2003. No effort or expense by the Group would have permitted the audit to be completed by Gemstar-TV Guide s new auditors, with the resulting audit report issued, prior to the date that the Group s Annual Report on Form 20-F for the fiscal year ended June 30, 2002 is required to be filed with the SEC.

2. Rule 12b-21 requires a registrant relying on the Rule to provide such information on the subject as it possesses or can acquire without unreasonable effort or expense, including the sources thereof. Due to Gemstar-TV Guide s inability to provide audited financial statements, the Group is unable to provide the audited financial statements of Gemstar-TV Guide. Gemstar-TV Guide, which itself is a registrant with reporting obligations to the SEC, filed Amendment No. 2 to its Form 10-K for the period ended December 31, 2001 on November 14, 2002. Gemstar-TV Guide's Form 10-K/A included restated unaudited consolidated financial statements as of December 31, 2001 and 2000, and for the year ended December 31, 2001, the nine months ended December 31, 2000 and the year ended March 31, 2000. Gemstar-TV Guide states in its Form 10-K/A that the restated Unaudited Consolidated Financial Statements included in this Amendment No. 2 have not been audited or reviewed by an independent accounting firm and should not be relied upon. Accordingly, the Group does not believe that any reliance should be placed on the unaudited financial information of Gemstar-TV Guide. As a result, the Group has not included such financial information in this Form 20-F.

Schedules other than listed above are omitted for they are not required or are not applicable, or the required information is shown in the respective financial statements or notes thereto. Columns omitted from schedules filed have been omitted because the information is not applicable.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
The News Corporation Limited

We have audited the accompanying consolidated statements of financial position of The News Corporation Limited and subsidiaries as of June 30, 2001 and 2002, and the related consolidated statements of financial performance, cash flows, and stockholders equity for each of the three years in the period ended June 30, 2002. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Australia and in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The News Corporation Limited and subsidiaries at June 30, 2001 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2002, in conformity with accounting principles generally accepted in Australia, which differ in certain respects from accounting principles generally accepted in the United States of America (see note 20 to the consolidated financial statements).

/s/ Ernst & Young
Sydney, Australia
August 14, 2002,
except for Note 24, as to
which the date is December 27, 2002

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE
(in millions, except for per share amounts)

	Years Ended June 30,		
	2000	**2001**	**2002**
Sales revenue	A$ 22,443	A$ 25,578	A$ 29,014
Operating expenses	19,701	22,485	25,472
Operating income	2,742	3,093	3,542
Net loss from associated entities	(298)	(249)	(1,434)
Borrowing costs	(1,169)	(1,268)	(1,291)
Investment income	355	333	291
Net borrowing costs	A$ (814)	A$ (935)	A$ (1,000)
Dividends on exchangeable preferred securities	(79)	(90)	(93)
Other revenues before tax	4,147	3,335	5,627
Other expenses before tax	(2,961)	(4,609)	(17,601)
Change in accounting policy before income tax		(1,107)	
Profit (loss) from ordinary activities before income tax	A$ 2,737	A$ (562)	A$ (10,959)
Income tax benefit (expense) on:			
Ordinary activities before change in accounting policy and other items	(225)	(428)	(640)
Other items	(454)	19	(15)
Change in accounting policy		421	
Net income tax (expense) benefit	A$ (679)	A$ 12	A$ (655)
Net profit (loss) from ordinary activities after tax	A$ 2,058	A$ (550)	A$ (11,614)
Net profit attributable to outside equity interests	(137)	(196)	(348)
Net profit (loss) attributable to members of parent entity	A$ 1,921	A$ (746)	A$ (11,962)
Net exchange gain (loss) arising on translation of net assets of controlled entities	2,223	3,372	(3,019)
Additional investment by an associated entity		1,060	(267)
Total change in equity other than those resulting from transactions with owners as owners	A$ 4,144	A$ 3,686	A$ (15,248)
Earnings per share on net profit (loss) attributable to members of the parent entity:			
Basic/Diluted			
Ordinary shares	A$ 0.424	A$ (0.174)	A$ (2.170)
Preferred limited voting ordinary shares	A$ 0.509	A$ (0.209)	A$ (2.604)
Ordinary and preferred limited voting ordinary shares	A$ 0.469	A$ (0.192)	A$ (2.431)

See notes to consolidated financial statements

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions)

ASSETS

	At June 30, 2001	At June 30, 2002
Current assets		
Cash and cash equivalents	A$ 5,615	A$ 6,337
Receivables		
Trade net of allowance	6,308	5,496
Other	375	313
Inventories	3,259	1,935
Prepaid expenses and other	616	566
Total current assets	A$ 16,173	A$ 14,647
Non-current assets		
Investments		
Equity in associated entities	20,022	6,875
Other investments	3,129	1,712
Total investments	A$ 23,151	A$ 8,587
Property, plant and equipment net of accumulated depreciation and amortization	7,110	6,671
Other non-current assets		
Publishing rights, titles and television licenses	31,051	35,348
Goodwill net of accumulated amortization	519	455
Long-term receivables	762	796
Inventories	5,219	4,232
Other	976	705
Total other non-current assets	A$ 38,527	A$ 41,536
Total Assets	A$ 84,961	A$ 71,441

See notes to consolidated financial statements

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions, except share and per share data)

LIABILITIES AND STOCKHOLDERS EQUITY

	At June 30,	
	2001	**2002**
Current liabilities		
Interest bearing liabilities	A$ 63	A$ 1,856
Payables	8,777	8,073
Tax liabilities	550	848
Provisions	386	228
Total current liabilities	A$ 9,776	A$ 11,005
Non-current liabilities		
Interest bearing liabilities	18,742	13,585
Payables	4,465	4,054
Tax liabilities	426	434
Provisions	290	1,205
Total non-current liabilities	A$ 23,923	A$ 19,278
Exchangeable preferred securities	A$ 3,667	A$ 1,690
Total liabilities including exchangeable preferred securities	A$ 37,366	A$ 31,973
Commitments and contingencies (Note 12)		
Stockholders equity		
Ordinary shares no par value; issued and outstanding 2,091,801,440 2001 and 2,094,411,035 2002	5,432	5,448
Preferred limited voting shares ordinary shares no par value; issued and outstanding 2,660,797,506 2001 and 3,208,695,775 2002	14,813	22,301
Adjustable rate cumulative perpetual preference shares US$25 par value; 3,800,000 shares authorized; issued and outstanding	132	132
Guaranteed 8 $^{5}/8$% perpetual preference shares US$25 par value; 10,000,000 shares authorized; issued and outstanding	358	358
Reserves and retained earnings	21,805	6,352
Outside equity interests in controlled entities	5,055	4,877
Total stockholders equity	A$ 47,595	A$ 39,468
Total liabilities and stockholders equity	A$ 84,961	A$ 71,441

See notes to consolidated financial statements

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Share Capital				Capital Reserves	Revenue Reserves			
	Ordinary Shares	**Perpetual Preference Shares**	**Preferred Limited Voting Shares**	**Subsidiary Preference Shares**	**Assets Revaluation**	**Foreign Exchange Fluctuation**	**Retained Earnings**	**Associated Companies**	**Minority Interest in Subsidiaries**
Balance at June 30, 1999	A$ 4,554	A$ 490	A$ 3,415	A$ 1,483	A$ 3,145	A$ 1,642	A$ 9,737	A$ 302	A$ 2,341
Net income							1,921		
Outside equity interest in controlled entities									137
Transfers between reserves					(2)	64	317	(465)	
Dividends paid and proposed							(284)		(13)
Dividend reinvestment and bonus share plan	37		58						
Issue of shares	212		3,402						
Adjustment of conversion rates						2,159		(26)	257
Exchange gain on translation of net assets of subsidiaries									28 20
Devaluation of assets									11
Minority interest purchased									
Shares acquired and cancelled under share buyback			(763)	(1,483)					
Elimination of associate s reciprocal shareholding	(4)		(32)						
Balance at June 30, 2000	A$ 4,799	A$ 490	A$ 6,080	A$ 0	A$ 3,143	A$ 3,865	A$ 11,691	A$ (189)	A$ 2,781

See notes to consolidated financials

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Share Capital				Capital Reserves	Revenue Reserves			
	Ordinary Shares	**Perpetual Preference Shares**	**Preferred Limited Voting Shares**	**Subsidiary Preference Shares**	**Assets Revaluation**	**Foreign Exchange Fluctuation**	**Retained Earnings**	**Associated Companies**	**Minority Interest in Subsidiaries**
Balance at June 30, 2000	A$ 4,799	A$ 490	A$ 6,080	A$ 0	A$ 3,143	A$ 3,865	A$ 11,691	A$ (189)	A$ 2,781
Net loss							(746)		196
Outside equity interest in controlled entities								1,060	
Transfers between reserves							266	(329)	
Dividends paid and proposed							(305)		(21)
Dividend reinvestment and bonus share plan	32		62						
Issue of shares.	605		8,763						
Adjustment of conversion rates									
Exchange gain on translation of net assets of subsidiaries						3,372		(23)	518
Devaluation of assets									
Minority interest disposed									(32)
Minority interest purchased									1,613
Shares acquired and cancelled under share buyback			(91)						
Elimination of associate's reciprocal shareholding	(4)		(1)						
Balance at June 30, 2001	A$ 5,432	A$ 490	A$ 14,813	A$ 0	A$ 3,143	A$ 7,237	A$ 10,906	A$ 519	A$ 5,055

See notes to consolidated financials

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Share Capital				Capital Reserves	Revenue Reserves			
	Ordinary Shares	**Perpetual Preference Shares**	**Preferred Limited Voting Shares**	**Subsidiary Preference Shares**	**Assets Revaluation**	**Foreign Exchange Fluctuation**	**Retained Earnings**	**Associated Companies**	**Minority Interest in Subsidiaries**
Balance at June 30, 2001	A$ 5,432	A$ 490	A$ 14,813		A$ 3,143	A$ 7,237	A$ 10,906	A$ 519	A$ 5,055
Net loss							(11,962)		348
Transfers between reserves							1,260	(1,262)	
Additional investment by an associated entity								(267)	
Dividends paid and proposed							(203)		(73)
Dividend reinvestment	30		56						
Issue of shares	4		7,432						
Exchange loss on translation						(3,019)			(542)
Redemption of shares									
Disposal of minority interest									(1,147)
Acquisition of minority interest									1,236
Devaluation of assets									
Shares expired and cancelled under share buyback									
Elimination of associate s reciprocal shareholding	(18)								
Balance at June 30, 2002	A$ 5,448	A$ 490	A$ 22,301		A$ 3,143	A$ 4,218	A$ 1	A$ (1,010)	A$ 4,877

See notes to consolidated financials

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended June 30,		
	2000	**2001**	**2002**
Operating activities			
Net profit (loss) attributable to members of the parent entity	A$ 1,921	A$ (746)	A$ (11,962)
Adjustments for non-cash and non-operating activities:			
Associated entity earnings, net of dividends	295	242	388
Depreciation and amortization	562	706	749
Provisions	142	188	378
Other items, net	(662)	1,342	13,179
Change in accounting policy after tax		686	
Change in related balance sheet accounts net of disposition and acquisition effects:			
Receivables	(598)	(410)	(51)
Inventories	(1,088)	(889)	515
Payables	(39)	(199)	(118)
Cash provided by operating activities	A$ 533	A$ 920	A$ 3,078
Investing and other activities			
Property, plant and equipment	(671)	(1,113)	(505)
Investments	(4,157)	(3,053)	(3,379)
Proceeds from sale of non-current assets	3,341	2,387	4,284
Cash (used in) provided by investing activities	A$ (1,487)	A$ (1,779)	A$ 400
Financing activities			
Issuance of debt		1,496	
Repayment of debt	(1,621)	(63)	(2,181)
Issuance of shares in a subsidiary	317		
Issuance of shares	127	56	133
Buyback of preferred shares	(1,166)	(91)	
Dividends paid	(236)	(205)	(278)
Leasing and other finance costs	(52)	(5)	(7)
Cash (used in) provided by financing activities	A$ (2,631)	A$ 1,188	A$ (2,333)
Net (decrease) increase in cash	(3,585)	329	1,145
Opening cash balance	7,483	4,638	5,615
Exchange movement on opening cash balance	740	648	(423)
Closing cash balance	A$ 4,638	A$ 5,615	A$ 6,337
Gross cash flows from operating activity			
Cash from trading operations			
Receipts	A$ 21,846	A$ 25,176	A$ 28,970
Payments	(20,300)	(23,120)	(24,423)
	A$ 1,546	A$ 2,056	A$ 4,547
Dividend and distribution receipts	74	86	38

Interest receipts	283	302	247
Interest payments	(1,127)	(1,225)	(1,324)
Income tax payments	(164)	(209)	(337)
Dividends paid on exchangeable preferred securities	(79)	(90)	(93)
Cash provided by operating activity	A$ 533	A$ 920	A$ 3,078

See notes to consolidated financial statements

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation and Significant Accounting Policies

The consolidated financial statements and notes thereto of The News Corporation Limited and subsidiaries (TNCL , News Corporation or the Group) have been prepared in accordance with the accounting principles generally accepted in Australia (A-GAAP) and are presented in Australian dollars (A$).

A-GAAP differs in certain respects from accounting principles generally accepted in the United States (US-GAAP). The significant differences and the approximate related effect on the consolidated financial statements are set forth in Note 20.

Except for a change in policy for accounting for films and a change in the basis of measuring certain classes of non-current assets, the consolidated financial statements have been prepared on a basis consistent with previous years. Certain reclassifications have been made to fiscal 2000 and 2001 consolidated financial statements to conform with the fiscal 2002 presentation.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the parent entity, TNCL and its controlled entities, referred to collectively as the Group. For financial reporting purposes, control generally means ownership of a majority interest in an entity but may, in certain instances, result from other considerations, including a company s capacity to dominate decision-making in relation to the financial and operating policies of the consolidated entity.

Although TNCL has less than a majority voting interest in Fox Television Holdings, Inc. (FTH), such entity is included in the consolidated financial statements because (i) the Group has the ability to redeem the majority voting interest, at any time, (ii) the dividends on and the amounts paid on redemption of, the majority voting interest are fixed and not related to the performance of FTH, and (iii) senior management of FTH, including its Board of Directors, consist solely of persons employed by the Group.

These consolidated financial statements also include the Group s portion of the results of associated entities over which it has significant influence.

Financial statements of controlled entities and associated entities are, for consolidation purposes, adjusted to comply with Group policy and generally accepted accounting principles in Australia. All intercompany balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Acquisitions of controlled entities are accounted for using the purchase method of accounting.

(b) Revenue Recognition

Revenues from the theatrical distribution of motion pictures are recognized as they are exhibited. Revenues from home video and DVD sales are recognized on the date that video and DVD units are made widely available for sale by retailers. Revenues from the licensing of feature films and television programming are recorded when the material is available for telecasting by the licensee and when certain other conditions are met.

License agreements for the telecast of theatrical and television product in the broadcast network, syndicated television and cable television markets are routinely entered into in advance of their available date for telecast. Cash received in connection with such contractual rights for which revenue is not yet recognizable is classified as deferred revenue within payables. Because deferred revenue generally relates to contracts for the licensing of theatrical and television product which has already been produced, the recognition of revenue for such completed product is principally only dependent upon the commencement of the availability period for telecast under the terms of the related licensing agreement.

Television advertising revenue is recognized as the commercials are aired. Subscriber fees received from cable system operators and direct broadcast satellite services are recognized as revenue when services are provided.

Advertising revenue from newspapers, magazines and inserts is recognized when the advertisements are published. Revenue from books and newspaper circulation revenues is recognized upon shipment.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation and Significant Accounting Policies (continued)

(c) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first in first out or average cost method for the greater part of inventories depending on the nature of the item and by specific identification for the balance.

Program rights, and the related liability for entertainment programs and sporting events aired principally by the Group s television broadcast and cable networks are recorded at cost when the programs are available for telecast. Program rights are amortized on a straight-line basis, generally based on the usage of the program or term of the license. Original cable programming is amortized on an accelerated basis. The current portion of program rights represents the estimated amount to be amortized in the next financial year.

The Group has a number of multi-year contracts for the television rights of certain sporting events. At the inception of these contracts and at each subsequent reporting date, the Group will evaluate the recoverability of the costs associated therewith, using aggregate estimated advertising revenues directly associated with the program material and related expenses. When an evaluation indicates that a multi-year programming contract will result in an ultimate loss, additional amortization is provided to recognize such loss in the current year.

The costs of sports contracts entered into by Fox Broadcasting Company are recorded as an operating expense based on the ratio of each period s operating profits to estimated total operating profits. Estimates of total operating profits can change and, accordingly, are reviewed periodically and amortization is adjusted as necessary. Such changes in the future could be material.

Projects in progress are recorded at cost that consists of the cost of material, labor and appropriate overhead expenses.

Film costs include direct production, production overhead and capitalized interest costs, net of any allocated amounts received from outside investors. These costs, as well as participations and talent residuals, are amortized on an individual film basis in the ratio that the current year s gross revenues bears to management s estimate of total ultimate gross revenues from all sources. Marketing costs and development costs under term deals are expensed as incurred. Development costs for projects not produced after three years are written off.

At the beginning of fiscal 2001, the Group changed its accounting policy with regards to, amongst other things, the treatment of marketing and development costs incurred in the production and distribution of films whereby marketing and certain development costs, previously capitalized and expensed over time, are now expensed as incurred. This change in accounting policy provides better comparability of the Group s results against its competitors and has also ensured continued consistency with US-GAAP for the producers and distributors of films. For fiscal 2001, the net impact of this change in accounting policy, net of outside equity interest, was a one time pre-tax charge to profit of A$1,107 million with an associated tax benefit of A$421 million. The effect of this change in fiscal 2001 was a reduction in net profit attributable to members of the parent entity of A$686 million and a corresponding reduction in the carrying value of inventory of A$1,338 million, a reduction in tax liabilities of A$509 million and in outside equity interests of A$143 million.

Film costs are stated at the lower of unamortized cost or estimated fair value on an individual film or television series basis. Revenue forecasts for both motion pictures and television products are continually reviewed by management and revised when warranted by changing conditions. When estimates of total revenues or other events or changes in circumstances indicate that a motion picture or television production has a fair value that is less than its unamortized cost, a loss is recognized in the current year for the amount by which the unamortized cost exceeds the film or television production s fair value. The unamortized cost of completed motion picture and television productions which are recoverable from primary markets are classified as current assets.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation and Significant Accounting Policies (continued)

(d) Recoverable Amount

Non-current assets are written down to the recoverable amount where the carrying value of a non-current asset exceeds its recoverable amount.

The recoverable amount of publishing rights, titles, and television licenses and goodwill has been determined by discounting the expected net cash inflows arising from their continued use or sale. Discounting has not been used to determine the recoverable amount of all other non-current assets.

(e) Investments in Associated Entities

The Group uses the equity method of accounting for its investments in associated entities. Under this method, investments in associated entities are initially recognized at cost of acquisition and the carrying value is subsequently adjusted for increases or decreases in the Group s share of post-acquisition results and reserves of each associated entity.

Investments in associated entities are decreased by the amount of dividends received or receivable. Associated entities include interests in non-controlled partnerships and joint venture entities.

(f) Property, Plant and Equipment

In accordance with the requirements of Australian Accounting Standards Board (AASB) 1041 Revaluation of Non-Current Assets , land and buildings previously carried at valuation were reverted to a cost basis of measurement. For the purpose of transitioning to a cost basis, the existing revalued carrying amounts at July 1, 2000, were deemed to be their cost. This change in accounting policy had no impact on the financial position or financial performance of the Group as presented in these consolidated financial statements.

Depreciation is provided for by charges to the Statement of Financial Performance over the expected useful life of each class of asset. Leasehold land and buildings are amortized over the shorter of the period of the lease or the useful life of the asset.

The following are the main depreciation rates used:

Freehold buildings	2%-10%
Leasehold premises	2%-33%
Plant and equipment	3%-50%
Plant and equipment under lease	10%-40%

(g) Publishing Rights, Titles and Television Licenses

In accordance with the requirements of AASB 1041 Revaluation of Non-Current Assets , publishing rights, titles and television licenses, previously carried at valuation were reverted to a cost basis of measurement. For the purpose of transitioning to a cost basis, the existing revalued carrying amounts at July 1, 2000, were deemed to be their cost. This change in accounting policy had no impact on the financial position or financial performance of the Group as presented in these consolidated financial statements.

As a creator and distributor of branded content, the Group has significant intangible assets including, television licenses, newspaper mastheads, distribution networks, sports franchises, publishing rights and other copyrighted products and trademarks. These assets are stated at the lower of cost or recoverable amounts. While television licenses in the United States are renewable every five years, the Directors have no reason to believe that they will not be renewed. No amortization is provided against these assets since, in the opinion of the Directors, the lives of the publishing rights, titles and television licenses is indefinite.

The Group annually assesses the carrying amount of intangible assets to ensure that they are not carried at a value greater than their recoverable amount. This assessment is primarily based on the Group s estimate of maintainable earnings before interest, tax, depreciation and amortization for each of its key business segments and an appropriate market-based multiple.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation and Significant Accounting Policies (continued)

(h) Goodwill

Where the purchase consideration and incidental expenses exceed the fair value of the identifiable net assets acquired, the difference is assigned to goodwill and written off against operating income on a straight-line basis over the period the benefits are expected to arise, but not exceeding twenty years. Accumulated amortization related to goodwill was A$702 million and A$688 million at June 30, 2001 and 2002, respectively.

(i) Developing Businesses

Costs incurred in the development of major new activities are capitalized until the operations are commenced on a commercial basis. At that point any readily identifiable intangibles, such as publishing rights, titles and television licenses but not goodwill, are recorded at cost and accounted for in accordance with the relevant accounting policy. Any other costs are amortized over the period in which benefits are expected to be received.

(j) Capitalization of Interest

Interest cost on funds invested in major projects with substantial development and construction phases are capitalized until production or operations commence. Thereafter, the capitalized interest is amortized over the period in which benefits are expected to be received.

Capitalized interest for the year ended June 30, 2002, amounted to A$42 million (2001 A$115 million) of which A$nil (2001 A$66 million) is included in property, plant and equipment.

(k) Provision for Employee Entitlements

Provision has been made for benefits accruing to employees in relation to such matters as annual leave, long service leave and non-superannuation post retirement benefits. All on-costs are included in the determination of the provision. Provisions for annual leave and the current portion of long service leave are measured at their nominal amounts, whilst the non-current portion of long service leave is measured at the present value of estimated future cash flows.

(l) Income Taxes

The Group follows tax effect accounting procedures. Income tax expense is calculated on the accounting profit after adjusting for permanent differences. Future income tax benefits relating to tax losses are not recognized as an asset unless the benefit is virtually certain of being realized. Income taxes on cumulative timing differences are reflected in the Statement of Financial Position as future income tax benefit or deferred income tax liability at income tax rates that are expected to apply when the underlying timing differences reverse.

There is no present intention to remit to Australia the retained profits or reserves of foreign controlled entities or to realize revaluation surpluses through the sale of revalued assets. Accordingly, no provision has been made for withholding or other taxes that may become payable overseas or in Australia as a result of such remittance or realization.

(m) Other Revenues and Expenses

The Group discloses as Other Revenues and Other Expenses those transactions, the financial impact of transactions which are included within profit (loss) from ordinary activities, that are considered significant by reason of their size, nature or effect on the Group s financial performance for the year.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation and Significant Accounting Policies (continued)

(n) Foreign Currencies

Financial statements of self-sustaining foreign controlled entities are translated using the current rate method whereby trading results are converted at the average rates of exchange for the year and assets and liabilities are converted at the closing rates on the period end date. Any exchange differences arising on the translation are taken directly to the foreign exchange fluctuation reserve.

All realized and unrealized gains or losses of a trading nature are brought to account within profit (loss) from ordinary activities.

The Group enters into forward foreign exchange contracts with the objective of protecting the Group against future adverse foreign exchange fluctuations. Exchange gains or losses on these contracts are brought to account within the profit (loss) from ordinary activities, except where they relate to specific commitments, whereby they are deferred until the commitment to sell or purchase is satisfied. Material foreign exchange contracts are disclosed in the financial statements.

(o) Dividends

Dividends payable are recognized when their payment is determined by, and announced following, a meeting of the Board of Directors. This represents a change in accounting policy over fiscal 2001 and 2000 whereby dividends were accrued at year-end, even though determined by the Board of Directors at a later date. This change in accounting policy is not material to the financial statements.

(p) Classification of Expenses

Expenses are classified according to their function, as this is considered to be the most relevant information about the Group s financial performance. The various functions of the Group are considered to align with the segments in which the Group operates.

(q) Earnings and Dividends Per Share

Basic EPS is calculated as net profit or loss attributable to members of the parent entity, adjusted for dividends on perpetual preference shares, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members of the parent entity, adjusted (i) for dividends on perpetual preference shares, (ii) for the after tax effects of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses, and (iii) for other non-discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares, divided by the weighted average number of ordinary and dilutive potential ordinary shares, adjusted for any bonus element.

As the Group has two classes of ordinary shares (ordinary shares and preferred limited voting ordinary shares), two classes of EPS numbers are presented in accordance with the requirements of AASB 1027 Earnings Per Share .

Dividends per share were A$0.030 for ordinary shares for each of the fiscal years ended June 30, 2000 and 2001 and A$0.015 for the fiscal year ended June 30, 2002 and A$0.075 for preferred limited voting ordinary shares for each of the fiscal years ended June 30, 2000 and 2001 and A$0.0375 for the fiscal year ended June 30, 2002. Due to a change in accounting policy, the final dividend of A$0.015 for ordinary shares and A$0.0375 for preferred limited voting ordinary shares were not provided for in the financial statements for the year ended June 30, 2002, as the dividends were not declared and announced by the Directors prior to June 30, 2002.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation and Significant Accounting Policies (continued)

(r) Financial Instruments

Terms and conditions of material financial instruments are disclosed in the notes. Unless otherwise stated, financial instruments including trade receivables and trade payables are carried at cost. The fair value of interest bearing liabilities is disclosed in Note 8. The fair value of all other financial instruments is not materially different from their carrying value.

The fair value of financial instruments, including investments and borrowings, is generally determined by reference to market values resulting from trading on national securities exchanges. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques.

(s) Use of Estimates

The preparation of financial statements in conformity with A-GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The Group uses significant estimates in determining the amortization of filmed entertainment costs and programming contracts. Because of the use of estimates inherent in the financial reporting process, especially for companies with significant segments in the entertainment business, actual results could differ from those estimates. These differences could be material.

(t) Reserves

(i) Capital:
Asset revaluation reserves are the excess of the valuation of investments, property, plant and equipment and publishing rights, titles and television licenses over their net book values at the date of revaluation.

(ii) Net profit (loss) attributable to members of the parent entity
Foreign exchange fluctuation (refer to (n) above).

(iii) Associated Companies
Associated companies reserves represent the Group s share in post acquisition retained earnings and reserves of companies accounted for under the equity method and are not available for distribution until they are received as dividends.

(u) Rounding of Accounts

The accounts have been rounded to the nearest million Australian dollars.

Amounts relating to related party transactions, Directors , Executives and Auditors remuneration are rounded to the nearest thousand Australian dollars.

(v) Fiscal Year End

The Group maintains a 52-53 week fiscal year ending on the Sunday nearest to June 30 in each year. Fiscal years 2001 and 2002 consisted of 52-week periods, while fiscal year 2000 consisted of a 53-week period.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Acquisitions

Fox Sports International
The Group and Liberty Media Corporation (Liberty) at June 30, 2001 each owned 50% of Fox Sports International. In July 2001, under a pre-existing option, Liberty exercised its right to sell its 50% interest in Fox Sports International to the Group in exchange for an aggregate 3,673,183 News Corporation American Depository Receipts representing 14,692,732 preferred limited voting ordinary shares (ADRs) valued at A$180 million. The transaction closed in December 2001. Under the terms of this transaction, the Group transferred the acquired interest in Fox Sports International to Fox Entertainment Group, Inc. (together with its subsidiaries, FEG) in exchange for the issuance of 3,632,269 FEG Class A Common Stock. This issuance increased the Group s interest in FEG from 85.25% to 85.32%, while its voting interest remained at 97.8%.

Chris Craft
In July 2001, News Corporation, through a wholly-owned subsidiary, acquired all of the outstanding common stock of Chris-Craft Industries, Inc. and its subsidiaries, BHC Communications, Inc. and United Television, Inc., (collectively, Chris-Craft). The consideration for the acquisition was approximately US$2 billion in cash and the issuance of 68,854,209 ADRs representing 275,416,836 preferred limited voting ordinary shares valued at approximately US$2 billion. Simultaneously with the closing of the acquisition, News Corporation transferred US$2,503 million of certain net assets, constituting Chris-Craft s ten television stations (the Acquired Stations) to its majority owned subsidiary, FEG, in exchange for 122,244,272 shares of FEG s Class A Common Stock (the Exchange), thereby increasing the Group s ownership in FEG from 82.76% to 85.25%. FEG assigned the licenses issued by the Federal Communications Commission (FCC) for the Acquired Stations to its indirect subsidiary, Fox Television Stations, Inc., which became the licensee and controls the operations of the Acquired Stations. The Group acquired Chris-Craft and transferred to FEG the Acquired Stations in order to strengthen FEG s existing television station business.

FEG consolidated the operations of the Acquired Stations, as of the date of Exchange, July 31, 2001, with the exception of KTVX-TV in Salt Lake City, whose operations were not consolidated prior to the Exchange due to regulatory requirements which precluded FEG from controlling the station and required its disposal (see description for Clear Channel swap below).

In October 2001, the Group exchanged KTVX-TV in Salt Lake City and KMOL-TV in San Antonio with Clear Channel Communications, Inc. for WFTC-TV in Minneapolis (the Clear Channel swap). In addition, on November 1, 2001, the Group exchanged KBHK-TV in San Francisco with Viacom Inc. for WDCA-TV in Washington, DC and KTXH-TV in Houston (the Viacom swap). In June 2002, the Group exchanged KPTV-TV in Portland, an Acquired Station, for Meredith Corporation s WOFL-TV in Orlando and WOGX-TV in Ocala (the Meredith Swap , and together with the Viacom and Clear Channel swaps, the Station Swaps). All of the stations exchanged in the Station Swaps were Acquired Stations. No gain or loss was recognized by the Group as a result of the Station Swaps.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Acquisitions (continued)

The following table summarizes the approximate fair values of the assets transferred and liabilities assumed at the date of the Exchange. The allocation of purchase price is substantially complete, but awaiting final valuations.

	As of July 31, 2001
	(in millions)
Cash	A$ 2,700
Accounts receivable, net	157
Filmed entertainment and television programming costs, net	271
Property and equipment, net	176
Publishing rights, titles and television licenses	5,215
Other assets and investments	303
Total assets transferred	A$ 8,822
Payables	1,323
Deferred compensation	(20)
Total liabilities assumed	A$ 1,303
Net assets acquired	A$ 7,519

The table below reflects the unaudited pro forma combined results of the Group as if the Exchange and the Station Swaps had taken place as of July 1, 2000.

	For the years ended June 30,	
	2001	2002
	(in millions, except for share amounts)	
Revenues	A$ 26,510	A$ 29,078
Operating income	3,268	3,574
Net profit (loss) attributable to members of the parent entity	280	(11,944)
Basic and diluted earnings (loss) per share:		
Ordinary shares	A$ 0.06	A$ (2.16)
Preferred limited voting ordinary shares	A$ 0.07	A$ (2.59)

The unaudited pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the operating results that actually would have occurred had the Exchange and the Station Swaps been consummated on July 1, 2000. In addition, these results are not intended to be a projection of future results and do not reflect any synergies that might be achieved from the combined operations.

Speed Channel

In July 2001, as a result of the exercise of rights by existing shareholders, the Group acquired an additional 53.44% of Speedvision Network, LLC, now Speed Channel, Inc. (Speed Channel) for approximately A$789 million (US$401 million). This acquisition resulted in the Group owning approximately 85.46% of Speed Channel. As a result, the Group has consolidated the results of Speed Channel beginning in July 2001. In October 2001, the Group acquired the remaining 14.54% minority interest in Speed Channel for approximately A$221 million (US$111 million) bringing the Group s ownership percentage to 100%.

RSN North

In February 2001, Fox Sports Networks LLC (Fox Sports Networks), acquired certain assets and liabilities constituting the business of Midwest Sports Channel, a regional sports network serving the Minneapolis, Minnesota and Milwaukee, Wisconsin metropolitan areas, pursuant to an Assignment and Assumption Agreement among Fox Sports

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Acquisitions (continued)

Networks, Viacom and Comcast Corporation (Comcast) and a Purchase Agreement between Viacom and Comcast for approximately US$40 million.

Sunshine
In January 2002, the Group acquired an approximate 23.3% interest in Sunshine Networks (Sunshine) for approximately US$23.3 million. This resulted in the acquisition of a controlling interest in Sunshine. Since the acquisition in January 2002, Sunshine has been consolidated into the Cable Network Programming segment of the Group as it is now under the control of the Group.

Note 3 Receivables

	At June 30, (in millions) 2001	2002
Current receivables:		
Trade receivables	A$ 6,553	A$ 6,140
Trade receivables owing by associated entities	296	188
Less allowance for doubtful accounts and rebates	(541)	(832)
	A$ 6,308	A$ 5,496
Non-trade amounts owing by unrelated entities	A$ 346	A$ 280
Non-trade amounts owing by associated entities	29	33
	A$ 6,683	A$ 5,809
Non-current receivables:		
Trade receivables	A$ 331	A$ 375
Other receivables	431	421
	A$ 762	A$ 796

These receivables are primarily denominated in US dollars (US$) and located in the United States of America. There is no material reliance on any single customer.

The net charge to the provision for doubtful accounts was A$166 million, A$151 million and A$286 million for the fiscal years ended 2000, 2001 and 2002 respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 Inventories

	At June 30, (in millions) 2001	2002
Current:		
Raw materials	A$ 177	A$ 124
Finished goods	283	237
Work and projects in progress	86	123
Television and film product	2,774	1,526
Total at cost	A$ 3,320	A$ 2,010
Provision for diminished value:		
Finished goods	61	75
Total provision for diminution in value	61	75
	A$ 3,259	A$ 1,935
Non-current:		
Film costs in progress	A$ 1,620	A$ 914
Finished goods	194	186
Television and film product	3,405	3,132
Total at cost	A$ 5,219	A$ 4,232

Interest of A$42 million was capitalized during the year related to film inventories (2001 A$49 million). Capitalized interest in film inventory at June 30, 2002 amounts to A$73 million (2001-A$87 million). Interest has been capitalized at 8.00% (2001 8.00%).

Total inventories at June 30, 2002 amount to A$6,167 million (2001 A$8,478 million) and consist of the following:

	At June 30, (in millions) 2001	2002
Filmed entertainment Films		
Released	A$ 1,456	A$ 1,291
Completed, not released	57	142
In production	1,189	648
In development or preproduction	339	87
	3,041	2,168
Television productions		
Released	956	887
In production	296	167
In development or preproduction	20	12

	1,272	1,066
Total filmed entertainment	4,313	3,234
Television programming	3,486	2,338
Other inventories	679	595
Total inventories	A$ 8,478	A$ 6,167
Less current inventories	3,259	1,935
Non-current inventories	A$ 5,219	A$ 4,232

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 Investments

The Group s investments consist principally of:

Company	Principal Activities	Percentage Ownership	At June 30, (in millions) 2001	2002
Gemstar TV Guide International	U.S. print and electronic guidance company	42.9% (2001 38.5%)	A$ 11,271	A$ 1,673
Regional Programming Partners(a)	U.S. partnership holding interests in sporting networks, teams and arenas	40.0%	1,835	1,673
Stream, S.p.A.	Italian pay TV provider	50.0%	952	648
China Network Systems	Taiwan cable TV operator	20.0%	477	434
National Geographic Channel(a)	U.S. domestic cable channel	66.7%	67	314
Independent Newspapers Limited	New Zealand newspaper publisher	45.3% (2001 44.3%)	256	237
Ventures Arena(a)	U.S. company holding interests in sporting arenas	40.0%	260	218
FOXTEL	Australian pay TV operator	25.0%	199	207
National Rugby League	Australian rugby league football competition	50.0%	160	160
Queensland Press Pty. Limited	Australian newspaper publisher	41.7%	156	131
National Geographic International(a)	International cable channel	50.0%	90	104
BSkyB Group plc(b)	U.K. satellite TV broadcaster	36.2% (2001 36.3%)	1,392	
Fox Family Worldwide(a)	Family television programming venture	0% (2001 49.5%)	857	
Fox Sports International(a)	U.S. cable TV operator	Consolidated (2001 50.0%)	151	
Other equity investments	Various	Various	1,899	1,076
	Total equity investments		20,022	6,875
Echostar Communications	Satellite broadcaster	0% (2001 5.2%)	873	
Kirch Media	Holding company for commercial TV, film and sporting rights, new media, production and film technology	2.5%	427	
The Wireless Group plc	Commercial radio operator	40.32% (voting 19.90%)	146	85
New Regency	Film production	20.0%	189	374
Sky PerfecTV	Satellite and digital pay TV platform	8.1%	87	166
Knowledge Enterprises	Investment fund	17.8%	198	177
Southwest Sports Group	Sports entertainment	Various	148	151
Other investments held at cost	Various	Less than 20.0%	1,061	759
	Total investments held at cost		3,129	1,712
	Total investments		A$ 23,151	A$ 8,587

(a) Held by the Group s 85.32% owned subsidiary, FEG.

(b) The Group s investment in British Sky Broadcasting Group plc (BSkyB) is currently recorded at zero, and as a result the Group has ceased to equity account for its share of BSkyB s results. As at June 30, 2002, the Group has not recorded A$135 million of its share of BSkyB losses, and will not recommence equity accounting until its share of cumulative profits and reserve movements totaling this amount has been recorded by BSkyB in the future.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 Investments (continued)

All significant associated entities have balance sheet dates consistent with the Group, with the following exceptions:

Company	Balance Date
Gemstar TV Guide International	December 31
Stream, S.p.A	December 31
Regional Programming Partners	December 31
China Network Systems	December 31

The aggregate fair value of the associated companies whose shares are listed was A$14,369 million as of June 30, 2002 (2001 A$27,468 million).

	At June 30, (in millions) 2001	2002
Movement in carrying amount of investments in associated entities		
Balance at beginning of year	A$ 8,602	A$ 20,022
Net (loss) from associated entities (i)	(249)	(1,434)
Dividends received from associated entities	(80)	(74)
Movement due to foreign exchange fluctuation	1,295	(1,039)
Investment in Gemstar-TV Guide (iii)	7,920	1,407
Additional investment in joint venture entities	578	583
Additional investment in other entities	398	572
Elimination of associates reciprocal shareholding in the Group	(6)	(18)
Additional investment by an associate entity (ii)	1,060	(267)
Write down of Gemstar-TV Guide (iii)		(11,138)
Write down of other investments	(158)	(694)
Carrying value of investments acquired	838	21
Carrying value of investments disposed	(176)	(1,066)
Balance at end of year	A$ 20,022	A$ 6,875

(i) Losses are after capitalization of A$ nil (2001-A$571 million) developing business costs. Costs incurred in the development of major new ventures are capitalized until the operations commence on a commercial basis.

(ii) In April 2000, BSkyB, an associate of TNCL, acquired a 24% stake in KirchPayTV, a German language pay television service operator in Germany and Austria, for cash consideration of DM1.0 billion (A$808 million) (which was financed from the issue of 19 million BSkyB shares) and 78 million new BSkyB shares. During fiscal 2001, BSkyB issued new equity as consideration for several transactions, including the acquisition of Sports Internet Group and the remaining shares in British Interactive Broadcasting Holdings Limited. These issuances reduced the Group s ownership interest in BSkyB from 37.1% to 36.2%. In accordance with AASB 1016 Accounting for Investments in Associates , the Group recorded an increase in its investment in BSkyB and a corresponding increase in reserves of A$1,060 million in the year ended June 30, 2001. In fiscal 2002, the Group recorded a decrease in its investment in BSkyB and a corresponding decrease in reserves of A$240 million. As a result the Group has recorded the change in its share of BSkyB s reserves following the above transactions.

(iii) In May 2001, the Group acquired approximately 80% of Liberty s 21.3% interest in Gemstar-TV Guide International, Inc. (Gemstar-TV Guide) in exchange for approximately 121.5 million ADRs representing 486 million preferred limited voting ordinary shares. This acquisition by the Group was a non-cash transaction, with investments and contributed equity increasing by A$7,920 million.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 Investments (continued)

Associated entities have various commitments and contingencies incurred during the normal course of business. The Group has no obligation under any of these commitments other than those included within Note 12.

Taiwan Cable Group (China Network System)
In April 2001, STAR purchased a 20% interest in each of the Koos Group s (Koos) 15 cable systems in Taiwan. The aggregate purchase price for this transaction was A$474 million (US$240 million). As of July 2002, STAR had aggregate interests of up to 23% in 17 cable systems throughout Taiwan, including systems affiliated with Koos. The Group accounts for this investment under the equity method of accounting from the date of acquisition. Koos is a leading business group based in Taiwan encompassing finance, telecommunications, entertainment and other businesses.

Home Team Sports
In February 2001, Fox Sports Networks sold its approximate 34% limited partnership interest in Home Team Sports, in a non-cash exchange for new or amended cable carriage arrangements valued at approximately US$46 million related to the distribution of the Group s programming services on cable systems. The Group has recognized a gain of approximately US$40 million related to this transaction for the year ended June 30, 2001.

	At June 30,		
		(in millions)	
	2000	2001	2002
The Group s share of the profit (loss) after income tax of its associated entities consists principally of:			
BSkyB	A$ (150)	A$ (76)	A$ (51)
Stream			(66)
Sky Latin America:			
Net Sat Servicos Ltda (Brazil)	(71)	(101)	(120)
Innova, S.de R.L de C.V. (Mexico)	(57)	(52)	(92)
Other	(40)	(63)	(78)
Fox Sports Domestic Cable (USA)	56	89	33
FOXTEL	(12)	(11)	(15)
ESPN Star Sports	(25)	(23)	(11)
Other associated entities	71	75	86
Operating loss after income tax before other items	A$ (228)	A$ (162)	A$ (314)
Other items after income tax (a)	(70)	(87)	(1,120)
Operating loss after income tax and other items	A$ (298)	A$ (249)	A$ (1,434)

(a) The 2002 Other items primarily represents the Group s equity accounted share of the write off by its associate BSkyB of its investment in KirchPayTV. At June 30, 2002, the Group s investment in BSkyB is recorded at zero, and as a result the Group has ceased to equity account its share of BSkyB s results. As at June 30, 2002, the Group has not recorded A$135 million of it share of BSkyB s losses, and will not recommence equity accounting until its share of cumulative profits and reserve movements totaling this amount has been recorded by BSkyB in the future.

Summarized financial data for associated entities is presented below:

Years Ended June 30,

	2000	(in millions) 2001	2002
Total assets	A$ 27,234	A$ 47,829	A$ 27,476
Total liabilities	17,257	22,815	20,100
Revenues	14,663	15,334	13,393
Operating income	340	(1,247)	655
Net income (loss)	(942)	(474)	(4,315)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 Investments (continued)

Associated entities have various commitments and contingencies incurred during the normal course of business. The Group has no obligations under any of these commitments other than those included in Note 12.

The quoted value of the Group s listed cost investments are as follows:

	Years Ended June 30, (in millions) 2000	2001	2002
Cost and valuation	A$ 3,925	A$ 1,447	A$ 414
Fair value	6,252	2,426	549
Net unrealized gains	A$ 2,327	A$ 979	A$ 135
Gross unrealized gains	3,255	1,098	194
Gross unrealized losses	(928)	(119)	(59)

Note 6 Property, Plant and Equipment

	At June 30, (in millions) 2001	2002
Freehold land and perpetual leases		
At cost	A$ 435	A$ 437
	A$ 435	A$ 437
Freehold buildings		
At cost	2,730	2,579
Less depreciation	396	479
	A$ 2,334	A$ 2,100
Leasehold premises		
Leasehold land at cost	158	154
Leasehold buildings at cost	1,147	1,107
	A$ 1,305	A$ 1,261
Less amortization	290	304
	A$ 1,015	A$ 957
Plant and equipment		
At cost	6,039	6,171

Less depreciation	2,948	3,210
	A$ 3,091	A$ 2,961
Plant and equipment under lease		
At cost	389	377
Less amortization	154	161
	A$ 235	A$ 216
	A$ 7,110	A$ 6,671

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 Property, Plant and Equipment (continued)

	At June 30, (in millions) 2001	2002
Freehold land and perpetual leases		
Balance at beginning of year	A$ 389	A$ 435
Additions		39
Disposals	(10)	(2)
Movement due to foreign exchange fluctuation	56	(35)
Balance at end of year	A$ 435	A$ 437
Freehold buildings		
Balance at beginning of year	A$ 1,855	A$ 2,334
Additions	322	123
Disposals	(34)	(68)
Depreciation	(72)	(86)
Movement due to foreign exchange fluctuation	263	(203)
Balance at end of year	A$ 2,334	A$ 2,100
Leasehold premises		
Balance at beginning of year	A$ 936	A$ 1,015
Additions	50	10
Disposals	(35)	(4)
Amortization	(32)	(32)
Movement due to foreign exchange fluctuation	96	(32)
Balance at end of year	A$ 1,015	A$ 957
Plant and equipment		
Balance at beginning of year	A$ 2,527	A$ 3,091
Additions	845	550
Transfers from other balance sheet accounts		83
Disposals		(50)
Depreciation	(536)	(554)
Movement due to foreign exchange fluctuation	255	(159)
Balance at end of year	A$ 3,091	A$ 2,961
Plant and equipment under lease		
Balance at beginning of year	A$ 241	A$ 235
Disposals	(17)	
Amortization	(13)	(13)
Movement due to foreign exchange fluctuation	24	(6)
Balance at end of year	A$ 235	A$ 216

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 Publishing Rights, Titles and Television Licenses

	At June 30, (in millions) 2001	2002
At cost	A$ 31,051	A$ 35,348
	A$ 31,051	A$ 35,348

In accordance with AASB 1041 Revaluation of Non-Current Assets , as at July 1, 2000 publishing rights, titles and television licenses previously carried at valuation were reverted to a cost basis of measurement, with the existing revalued carrying amounts at July 1, 2000 deemed to be their cost. The Group had previously revalued these assets, although the Group has not recorded any revaluation increments since 1990.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 Interest Bearing Liabilities

	At June 30, (in millions) 2001	2002
Loans payable unsecured:		
8 5/8% Senior Notes (US$500,000,000) due February 1, 2003 (a)(h)	A$ 988	A$ 74
8 1/2% Senior Notes (US$500,000,000) due February 15, 2005 (a)	988	887
8.75% Senior subordinated notes (US$170,000,000) due February 15, 2006 (c)	332	
8.875% Senior Notes (US$500,000,000) due August 15, 2007 (g)	988	927
9.75% Senior Discount Notes (US$405,000,000) due August 15, 2007 (g)	719	744
6.625% Senior debentures (US$350,000,000) due January 9, 2008 (b)	692	621
7 3/8% Senior debentures (US$200,000,000) due October 17, 2008 (b)	395	355
10 1/8% Senior debentures (US$300,000,000) due October 15, 2012 (a)(d)	593	54
9 1/4% Senior debentures (US$500,000,000) due February 1, 2013 (a)	988	887
8 5/8% Senior debentures (A$150,000,000) due February 7, 2014 (b)	150	150
7.6% Senior debentures (US$200,000,000) due October 11, 2015 (b)	395	355
8% Senior debentures (US$400,000,000) due October 17, 2016 (b)	790	709
7.25% Senior debentures (US$350,000,000) due May 18, 2018 (b)	692	621
8 1/4% Senior debentures (US$250,000,000) due August 2018 (b)	494	443
Liquid Yield Option Notes (LYONs) (US$1,515,000,000) due February 28, 2021 (e)	1,513	1,405
8 7/8% Senior debentures (US$250,000,000) due April 26, 2023 (b)	494	443
7 3/4% Senior debentures (US$200,000,000) due January 20, 2024 (b)	395	355
7 3/4% Senior debentures (US$90,000,000) due February 1, 2024 (b)	178	159
9 1/2% Senior debentures (US$200,000,000) due July 15, 2024 (b)	395	355
8 1/2% Senior debentures (US$200,000,000) due February 23, 2025 (b)	395	355
7.7% Senior debentures (US$250,000,000) due October 30, 2025 (b)	494	443
7.43% Senior debentures (US$240,000,000) due October 1, 2026 (b)	474	426
7 1/8% Senior debentures (US$200,000,000) due April 8, 2028 (b)	395	355
7.3% Senior debentures (US$200,000,000) due April 30, 2028 (b)	395	355
7.28% Senior debentures (US$200,000,000) due June 30, 2028 (b)	395	355
7.625% Senior debentures (US$200,000,000) due November 2028 (b)	395	355
6.703% MOPPrS (US$150,000,000) due May 21, 2034 (f)	296	266
8.45% Senior debentures (US$200,000,000) due August 1, 2034 (b)	395	355
8.15% Senior debentures (US$300,000,000) due October 17, 2036 (b)	593	532
6.75% Senior debentures (US$250,000,000) due January 9, 2038 (b)	494	443
7.75% Senior debentures (US$600,000,000) due December 1, 2045 (b)	1,186	1,064
7.9% Senior debentures (US$150,000,000) due December 1, 2095 (b)	296	266
8 1/4% Senior debentures (US$100,000,000) due October 17, 2096 (b)	198	177
Other	12	
	18,592	15,291
Less current maturities.		1,799
Total long-term unsecured loans	18,592	13,492
Total long-term unsecured bank loans payable	150	93
Total non-current interest bearing liabilities	A$ 18,742	A$ 13,585

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 Interest Bearing Liabilities (continued)

As of June 30, 2002, the Group s debt rating from Moody s (Ba1 for subordinated notes and Baa3 for senior unsecured notes) and Standard and Poors (BBB-) were within investment grade scale. As at June 30, 2002, the Group was in compliance with all of its debt covenants. Fair value of interest bearing liabilities, in aggregate, amounts to A$15,527 million.

(a) The terms include covenants, which among other things restrict secured indebtedness to 10% of tangible assets and in certain circumstances limit new senior indebtedness. Redemption may occur, at the option of the holders, at 101% of the principal plus an accrued interest amount in certain circumstances where a change of control is deemed to have occurred.

(b) The terms include covenants which among other things, restrict secured indebtedness to 10% of tangible assets. Redemption may occur, at the option of the holders, at 101% of the principal amount in certain circumstances where a change of control is deemed to have occurred.

(c) These notes were issued by Heritage Media Corporation, an indirect subsidiary of TNCL, and pay interest semi-annually at a rate of 8.75% per annum. These notes were fully repaid during fiscal 2002.

(d) The senior debentures can be redeemed, at the option of the Group, on or after October 15, 2002 at specified premiums. Pursuant to an offer to noteholders, a substantial portion of these notes were redeemed during the current year. The Group recognized a loss of A$64 million (US$34 million) on the early extinguishment of debt, which is included within Other expenses before tax in the Statement of Financial Performance. It is the Group s current intention to redeem the remaining debentures within the next 12 months and as such the remaining debentures have been classified as current.

(e) The notes pay no periodic interest and the aggregate principal amount at maturity of US$1,515 million represents a yield of 3.5% per annum on the issue price. The holders may exchange the notes at any time into shares or ADRs of TNCL or, at the option of the Group, the cash equivalent thereof at a fixed exchange rate of 48.5932 preferred shares per US$1,000 note. The notes are redeemable at the option of the holders on certain dates at specified redemption values. The Group, at its election, may satisfy the redemption amounts in cash, ADRs or any combination thereof. The Group can redeem the notes in cash at any time on or after February 28, 2006 at specified redemption values. The notes were recorded at a discount and are being accreted using the effective interest rate method.

(f) In May 1998, the Group issued 6.703% Mandatory Par Put Remarketed Securities (MOPPrS) due May 21, 2034. In connection with the issuance of MOPPrS, the Group entered into a remarketing agreement dated as on May 21, 1998 (the Remarketing Agreement), with the remarketing dealer named therein (the Remarketing Dealer), pursuant to which the MOPPrS are subject to mandatory tender in favor of the Remarketing Dealer on May 21, 2004 (the Remarketing Date), for a purchase price equal to 100% of the principal amount of the outstanding MOPPrS. Upon the Remarketing Dealer s election to remarket the MOPPrS, the interest rate to the May 21, 2034 maturity date of the MOPPrS will be adjusted to reach the sum of 5.958% plus the applicable spread (as defined in the Remarketing Agreement). In the event the Remarketing Dealer does not elect to remarket the MOPPrS, they will mature on the Remarketing Date.

(g) In June 2002, the Group and Fox Sports Networks, an indirect subsidiary of the Group, irrevocably called for redemption of all outstanding 8.875% Senior Notes and the 9.75% Senior Discount Notes. The Group recognized a loss of US$42 million on the irrevocable early extinguishment of the debt, which is included within Other expenses before tax in the Statement of Financial Performance at June 30, 2002. The terms include covenants that, among other things, limit the incurrence of additional debt by Fox Sports and distributions to partners.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 Interest Bearing Liabilities (continued)

(h) In March 2002, the Group offered to purchase for cash any and all of its outstanding US$500 million aggregate principal amount of 8 5/8% Senior Notes due 2003. Approximately 92% of these Notes were tendered and accepted for payment. The Group recognized a loss of A$47 million (US$24 million) on the early extinguishment of debt which is included within Other expenses before tax in the Statement of Financial Performance at June 30, 2002.

As of June 30, 2002, aggregate maturities of borrowings during the next five years are as follows: 2003 A$1,799 million, 2004 A$ nil, 2005 A$887 million, 2006 A$ nil, 2007 A$ nil and thereafter A$12,605 million.

At June 30, 2001 and 2002, the Group was not party to any interest rate swap agreements, except for items discussed below.

	At June 30, (in millions) 2001	2002
Revolving credit facility(a)	A$	A$
Term loan and revolving credit facilities(b)	213	150
	213	150
Less: Current maturities	63	57
Total long-term bank loans	A$ 150	A$ 93

(a) The Group has a US$2 billion Revolving Credit Agreement (as amended). The significant terms of the agreement include requirements that the Group maintain specific gearing and cash flow ratios and limitations on secured indebtedness. The maturity of this facility is June 30, 2004. The Group pays interest for borrowings in US dollars at LIBOR plus 0.50%; for borrowings in Sterling at LIBOR rate plus 0.50%; and for borrowings in Australian dollars at Australian bank bill rates plus 0.50%. A commitment fee of 0.15% is payable on the unused portion of the available credit. There were no borrowings made against this facility during fiscal 2001 or fiscal 2002. (See Note 24).

(b) Includes a facility for 22 billion Japanese Yen (JPY) at an interest rate of 4.20% per annum. This facility matures in June 2005.

Total unused credit facilities as at June 30, 2002 amounted to A$3,546 million (2001 A$4,101 million).

Total debt outstanding at June 30, 2002 was A$15,441 million as compared to A$18,805 million at June 30, 2001. At June 30, 2002, the impact of the foreign currency movements reduced reported debt by A$1,909 million (2001 A$2,762 million increase).

Interest bearing liabilities are repayable in the following currencies:

	In Home Currencies (in millions) June 30, 2001	June 30, 2002	In Australian dollars (in millions) June 30, 2001	June 30, 2002
Australian dollars	A$ 150	A$ 150	A$ 150	A$ 150
Indian Rupees	INR$ 300	INR$ 262	13	10
Japanese Yen	¥ 12,572	¥ 9,430	200	140
United States dollars	US$ 9,333	US$ 8,540	18,442	15,141
Total interest bearing liabilities			A$ 18,805	A$ 15,441

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 Interest Bearing Liabilities (continued)

The Group has entered into a foreign currency swap, whereby the Group has received JPY 26.52 billion in exchange for US$240 million (at an initial exchange rate of 110.50). The fair value of this swap is US$46 million. Each year on April 1st and October 1st, the Group will receive interest in US dollars at a fixed rate of 7.43% of the initial principal and in return, will pay interest in yen on the JPY 26.52 billion, at the six month JPY LIBOR plus 0.37% (six month JPY LIBOR was 0.02% at June 30, 2002). The termination date of this swap is October 2, 2006.

Note 9 Pension Plans and Other Postretirement Benefits

The Group participates in more than 70 pension plans covering substantially all of its employees. The Group has a legally enforceable obligation to contribute to some plans and is not required to contribute to others. Australian and Asian plans include both contributory and non-contributory defined benefit plans and non-contributory accumulation plans. The plans of the United Kingdom controlled entities include both contributory accumulation plans, contributory and non-contributory defined benefit pension plans covering all employees while the plans of the United States subsidiaries are defined benefit pension plans and non-contributory and contributory accumulation plans covering all employees not covered by union administered plans. The total pension and savings plan expense for the years ended June 30, 2000, 2001 and 2002 was A$69 million, A$69 million and A$99 million, respectively. Amounts charged to operations under certain of the plans include the amortization of past service cost over 4 to 40 years. The Group s funding policy with respects to qualified pension plans is to contribute annually not less than the minimum required by applicable law and regulation.

Accumulated plan benefits and plan net assets for the Group s defined benefit plans as of June 30, 2001 are as follows:

	Assets Exceed Projected Benefits	Projected Benefits Exceed Assets	Total
		(in millions)	
Actuarial present value of accumulated benefit obligations:			
Vested	A$ 696	A$ 1,034	A$ 1,730
Non-vested	3		3
Accumulated benefit obligation	699	1,034	1,733
Effect of projected future salary increases	18	98	116
Total projected benefit obligations	717	1,132	1,849
Plan assets at fair value	971	943	1,914
Plan assets in excess of (less than) projected benefit obligations	A$ 254	A$ (189)	A$ 65

Accumulated plan benefits and plan net assets for the Group s defined benefit plans as of June 30, 2002 are as follows:

	Assets Exceed Projected Benefits	Projected Benefits Exceed Assets	Total
		(in millions)	
Actuarial present value of accumulated benefit obligations:			
Vested	A$ 472	A$ 1,521	A$ 1,993
Non-vested	1	2	3
Accumulated benefit obligation	473	1,523	1,996
Effect of projected future salary increases	1	139	140

Total projected benefit obligations	474	1,662	2,136
Plan assets at fair value	573	1,095	1,668
Plan assets in excess of (less than) projected benefit obligations	A$ 99	A$ (567)	A$ (468)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 Pension Plans and Other Postretirement Benefits (continued)

The following assumptions were used in accounting for the Group s pension plans for the year ended June 30:

	2000	2001	2002
Discount rate	5.5%-7.8%	6.0%-7.8%	6.0%-7.0%
Expected Rate of Return on Plan Assets	7.0%-10.0%	7.0%-10.0%	7.0%-9.0%
Rate of increase in future compensation	4.0%-6.0%	3.5%-5.5%	3.5%-5.5%

Details of the major plans in which the Group participates are:

			Actuarial Assessment	
Name of Fund	Type of Benefit	Group Contribution Obligations	Date	By
Australia				
NewsSuper	Defined benefit and defined contribution	As required to fund Defined benefit	July 1, 2002	William M. Mercer Pty Limited
News Employees Superannuation Trust	Defined benefit and defined contribution	As required to fund Defined benefit	July 1, 2002	William M. Mercer Pty Limited
News Limited Group Superannuation Fund	Defined contribution	8% of members salaries	Not applicable	
Hong Kong				
Star Provident Fund	Non-contributory and defined contribution	10% of base salary	Not applicable	
Star Mandatory Provident Fund	Contributory and defined contribution	5% of members relevant monthly	Not applicable	
United Kingdom				
News International plc Pension and Life Assurance Plan for Senior Executives	Non-contributory and defined benefit	As required to fund defined benefit	July 1, 2000	William M. Mercer Pty Limited
News International Pension Plan	Contributory and defined contribution	8% of members basic pay	October 1, 2001	William M. Mercer Pty Limited
HarperCollins Pension & Life Assurance Scheme	Contributory and defined benefit	As required to fund defined benefit	March 1, 2000	Watson/Wyatt Consultants & Actuaries
Harper Collins Executive Pension & Life Assurance Scheme	Contributory and defined contribution	As required to fund defined benefit	March 1, 2000	Watson/Wyatt Consultants & Actuaries
Digimedia Vision Pension and Life Assurance Plan	Contributory and defined benefit	As required to fund defined benefit	December 1, 2001	William M. Mercer Pty Limited
United States				
News America, Inc. Employees Pension and Retirement Plan	Non-contributory defined benefit	As required to fund defined benefit	January 1, 2002	Consulting Actuaries International Inc
Fox Pension Plan	Non-contributory defined benefit	As required to fund defined benefit	January 1, 2002	Buck Consultants

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 Pension Plans and Other Postretirement Benefits (continued)

Name of Fund	Type of Benefit	Group Contribution Obligations	Actuarial Assessment	
			Date	By
Fox Investment Plan (401(k) Plan)	Contributory defined contribution	The Group matches up to 3% of eligible compensation	Not applicable	
Pension Plan for Union Employees of Fox Television Stations, Inc.	Contributory defined benefit	As required to fund defined benefit plus voluntary member contributions	January 1, 2002	Buck Consultants
Los Angeles Dodgers Pension Plan	Non-contributory defined benefit	As required to fund defined benefit	January 1, 2002	The Elper Company
Los Angeles Dodgers Savings Plan (401(k) Plan)	Frozen contributory defined contribution	No contributions frozen plan	Not applicable	
The HarperCollins retirement Plan	Non-contributory defined accumulation	From 1% to 14% of members gross wages	Not applicable	
News America, Inc. Savings Plan	Contributory and defined contribution	The Group matches up to 3% of eligible compensation	Not applicable	

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 Income Taxes

	Years Ended June 30, (in millions) 2000	2001	2002
Income tax (expense) benefit consists of:			
Current			
Australia	A$ (76)	A$	A$ (50)
Foreign	(181)	(268)	(353)
	(257)	(268)	(403)
Deferred			
Australia	(72)	11	41
Foreign	(350)	269	(293)
	A$ (422)	A$ 280	A$ (252)
Total	A$ (679)	A$ 12	A$ (655)

	Years Ended June 30, (in millions) 2000	2001	2002
Profit (loss) from ordinary activities before tax	A$ 2,737	A$ (562)	A$ (10,959)
Net loss from associated entities	(298)	(249)	(1,434)
	A$ 3,035	A$ (313)	A$ (9,525)
Prima facie tax (benefit) expense at 30% (2000 36% and 2001 34%)	A$ 1,093	A$ (106)	A$ (2,858)
Income tax (benefit) expense	679	(12)	655
Difference	A$ 414	A$ (94)	A$ (3,513)

	Years Ended June 30, (in millions) 2000	2001	2002
Difference due to:			
Different tax rates applicable in countries other than Australia	A$ 85	A$ (43)	A$ 847
Dividends on which tax is rebateable	24	12	4
Capital items (a)	(55)	(305)	(4,503)
Investments and capital allowances	93	112	145
Other permanent differences between accounting and tax profit	(9)	9	(27)
Reduction in current year income tax expense due to tax losses not recorded in prior years	296	138	53
Current year losses not reflected in income tax expense	(20)	(17)	(32)
	A$ 414	A$ (94)	A$ (3,513)

(a) For the year ended June 30, 2002, capital items principally relate to the exclusion of the Gemstar-TV Guide write down as it is not expected to be realized in the future.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 Income Taxes (continued)

	Years Ended June 30, (in millions) 2000	2001	2002
The components of deferred tax expense are:			
Australia			
Depreciation	A$	A$	A$ 4
Other	(72)	11	37
	A$ (72)	A$ 11	A$ 41
Foreign			
Professional sports contract writedown	A$	A$	A$ 477
EchoStar transaction	(216)	(158)	
Change in accounting policy		421	
Depreciation	(50)	30	33
Amortization	(119)	(134)	48
Other investments		113	135
Utilization of NOL			(959)
Other	35	(3)	(27)
	A$ (350)	A$ 269	A$ (293)
	A$ (422)	A$ 280	A$ (252)

Income tax benefits attributable to tax losses utilized in arriving at the provision for deferred income tax amounted to A$648 million (2001 A$545 million). Amounts of A$19 million (2001 $16 million) are included in future income benefits relating to tax losses carried forward. These benefits, which expire between 2003 and 2022, will be recognized if future taxable income is sufficient in amount and of a nature which qualifies under the statutes in effect at the time the deduction is made.

Deferred income tax expense includes amounts, which under applicable tax statutes are not payable within one year. This liability is classified in the accompanying statement of financial position as a non-current liability.

There is no material impact upon the Group s tax expense for the year ended June 30, 2002 arising from the Australian Government s proposed Tax Consolidation legislation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 Non-Current Payables

Included in non-current payables are contractual obligations payable and television program rights payable of approximately A$1,746 million (2001 A$1,517 million). Contractual obligations consist primarily of participants share payable and talent residuals on film product.

Note 12 Commitments and Contingencies

The Group has commitments under certain firm contractual arrangements (firm commitments) to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The following table summarizes the Group s material firm commitments at June 30, 2002.

	In millions Payments Due by Period				
	1 year	**2-3 years**	**4-5 years**	**After 5 years**	**Total**
Contracts for Capital Expenditure					
Buildings	A$ 16	A$	A$	A$	A$ 16
Plant and machinery	127	18	3	1	149
	A$ 143	A$ 18	A$ 3	A$ 1	A$ 165
Operating Leases (a)					
Land and buildings	A$ 284	A$ 505	A$ 440	A$ 2,445	A$ 3,674
Plant and machinery	48	49	22	8	127
	A$ 332	A$ 554	A$ 462	A$ 2,453	A$ 3,801
Other commitments					
Unsecured loans payable (b)	A$ 1,799	A$ 887	A$	A$ 12,605	A$ 15,291
Term loans (b)	57	93			150
Exchangeable preferred securities (b)				1,690	1,690
New Millennium II Preferred Interest	1,021	424	62		1,507
News America Marketing (c)	59	80	6		145
Major League Baseball (d)	592	1,356	1,589		3,537
National Football League (e)	1,020	2,642	1,445		5,107
National Association Stock Car Auto Racing (f)	356	879	950	688	2,873
Cricket (g)	174	149	406		729
Commitment for purchase of TV Station (h)	754				754
Other programming commitments (i)	1,573	1,554	1,196	2,753	7,076
Other obligations	452	653	175	333	1,613
	A$ 7,857	A$ 8,717	A$ 5,829	A$ 18,069	A$ 40,472
Total commitments, borrowings and contractual obligations	A$ 8,332	A$ 9,289	A$ 6,294	A$ 20,523	A$ 44,438

The Group also has certain contractual arrangements in relation to certain associates that would require the Group to make payments or provide funding if certain circumstances occur (contingent guarantees). The Group does not expect that these contingent guarantees will result in any amounts being paid by the Group in the foreseeable future. The timing of the amounts presented in the table below reflect when the maximum contingent guarantees will expire and does not indicate that the Group expects to incur an obligation to make payments during that time frame.

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Note 12 Commitments and Contingencies (continued)

	In millions Amount of Commitment Expiration Per Period				
	1 year	2-3 years	4-5 years	After 5 years	Total
FOXTEL (j)	A$ 12	A$ 24	A$ 24	A$ 148	A$ 208
STAR (k)	77	76			153
Transponder leases guarantees (l)	55	110	104	406	675
Chicago RSN (m)	76	165	186	1,434	1,861
Star Channel Japan (n)	48		42		90
	A$ 268	A$ 375	A$ 356	A$ 1,988	A$ 2,987

(a) The Group leases transponders, office facilities, warehouse facilities, equipment and microwave transmitters used to carry its broadcast signals. These leases, which are classified as operating leases, expire at various dates through 2016. In addition, the Group leases various printing plants, which expire at various dates through 2094.

(b) TNCL has guaranteed borrowings of controlled entities of A$15,441 million (2001 A$18,805 million). Additionally, TNCL has film distribution agreement guarantees in respect of controlled entities of A$1,507 million (2001 A$1,663). Under the terms of deeds of indemnity, any deficiency of funds, if any Australian wholly-owned controlled entity is wound up, will be met by the parent entity.

(c) News America Marketing (NAM), a leading provider of in-store marketing products and services primarily to consumer packaged goods manufacturers, enters into minimum guarantee agreements with retailers.

(d) The Group s six-year contract with Major League Baseball (MLB) grants the Group rights to telecast certain regular season and all post-season MLB games. The contract began with the 2001 MLB season and ends with the 2006 MLB season. The remaining future scheduled payments for telecast rights to such MLB games aggregated approximately US$1,995 million as of June 30, 2002 before sublicense fees are considered. For the duration of its contract with MLB, the Group has sublicensed telecast rights to certain MLB post-season games to The Walt Disney Company (Disney), and is entitled to be paid the remaining sublicense fee aggregating US$590 million over the remaining term. The amounts reflected on this schedule have not been reduced by the sublicense.

(e) Under the Group s eight-year contract with the National Football League (NFL) through 2006, which contains certain termination clauses, remaining future minimum payments for program rights to broadcast certain football games aggregated approximately US$2,880 million as of June 30, 2002 and are payable over the remaining five-year term of the contract assuming no early terminations.

(f) The Group s contracts with the National Association of Stock Car Auto Racing (NASCAR), which contains certain termination clauses, give the Group rights to broadcast certain NASCAR races through fiscal 2009 and exclusive NASCAR content rights as well as the NASCAR brand to be exploited with a new NASCAR cable channel or the existing Speed Channel through fiscal 2013. The remaining future minimum payments aggregated approximately US$1,621 million as of June 30, 2002 and are payable over the terms assuming no early terminations.

(g) The Group has acquired the exclusive rights to transmit and exploit the signals for the 2003 and 2007 Cricket World Cups and other related International Cricket Council (ICC) cricket events for a minimum guarantee of US$550 million through fiscal 2008. The Group has guaranteed this contract and has been granted the right of first refusal and the last right to match for the broadcast rights in their respective territories. As of June 30, 2002, the remaining minimum guarantee is US$411 million over the remaining term.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 Commitments and Contingencies (continued)

(h) In June 2002, the Group entered into an agreement to acquire WPWR-TV in Chicago from Newsweb Corporation for US$425 million. This acquisition closed in August 2002.

(i) The Group s minimum commitments and guarantees under certain other programming, players, licensing and other agreements aggregated approximately US$3,991 million at June 30, 2002, which are payable principally over a five- year period.

(j) The Group, Telstra Corporation Limited (Telstra) and Publishing and Broadcasting Limited (PBL) are participants in a partnership known as FOXTEL, which has established a Pay TV operation in Australia. FOXTEL has entered into long-term channel supply agreements with various parties for exclusive rights to their programming. The Group and Telstra have severally guaranteed minimum subscriber payments under certain agreements entered into by FOXTEL, and PBL has provided News Corporation with an indemnity for 50% of the liability of the Group. These agreements prescribe payments of approximately US$470 million, for future programming based on subscriber numbers subject to minimal annual payment. The Group has included 25% of these prescribed payments as a commitment.

(k) The Group has guaranteed certain sports right contracts for certain associated entities of STAR. The aggregate of the guarantees is approximately US$87 million (2001 US$108 million) and extend to May 2004.

(l) The Group has guaranteed various transponder and other leases for certain associated entities operating in Latin America. The aggregate of these guarantees is approximately US$355 million (2001 US$384 million) and extends to 2019.

(m) The Group has guaranteed various sports rights agreements for certain associated entities. The aggregate of these guarantees is approximately US$1,050 million and extends through 2019.

(n) The Group has guaranteed a bank loan facility of A$89 million for Star Channel Japan. The facility covers a term loan of A$42 million which matures in September 2005 and an agreement for overdraft of A$48 million.

As of June 30, 2001 the Group had commitments of A$30.7 billion mainly relating to commitments to broadcast television programs. Of these commitments A$5.6 billion was payable within one year, A$16.2 billion was payable within 2 and 5 years and A$8.9 billion was payable after 5 years.

Regional Programming Partners

In December 1997, Rainbow Media Sports Holdings, Inc. (Rainbow) (a subsidiary of Cablevision Systems Corporation (Cablevision)) and Fox Sports Net, Inc. (Fox Sports Net) (a subsidiary of the Group) formed Regional Programming Partners (RPP) to hold various programming interests in connection with the operation of certain RSNs (Rainbow Transaction). Rainbow contributed various interests in RSNs, the Madison Square Garden Entertainment Complex, Radio City Music Hall, the New York Rangers NHL franchise, and the New York Knickerbockers NBA franchise, to RPP in exchange for a 60% partnership interest in RPP, and Fox Sports Net contributed US$850 million in cash for a 40% partnership interest in RPP.

Pursuant to the RPP partnership agreement upon certain actions being taken by Fox Sports Net, Rainbow has the right to purchase all of Fox Sports Net s interests in RPP. The buyout price will be the greater of (i) (a) US$2.125 billion, increased by capital contributions and decreased by capital distributions, times Fox Sports Net s interest in RPP plus (b) an 8% rate of return on the amount in (a) and (ii) the fair market value of Fox Sports Net s interest in RPP. Consideration will be, at Rainbow s option, in the form of cash or a three-year note with an interest rate of prime plus ½%. In addition, for 30 days following December 18, 2002 and during certain periods thereafter, so long as RPP has not commenced an initial public offering of its securities, Fox Sports Net has the right to cause Rainbow to, at Rainbow s option, either (i) purchase all of Fox Sports Net s interests in RPP or (ii) consummate an initial public offering of RPP s securities. The purchase price will be the fair market value of Fox Sports Net s interest in RPP and the consideration will be, at Rainbow s option, in the form of marketable securities of certain affiliated companies of Rainbow or a three-year note with an interest rate of prime plus ½%.

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Note 12 Commitments and Contingencies (continued)

In connection with the Rainbow Transaction, Rainbow and Fox Sports Net formed National Sports Partners (NSP) in which each of Rainbow and Fox Sports Net were issued a 50% partnership interest to operate Fox Sports Net (FSN), a national sports programming service that provides its affiliated RSNs with 24 hour per day national sports programming. In addition, Rainbow and Fox Sports Net formed National Advertising Partners (NAP), in which each of Fox Sports Net and Rainbow were issued a 50% partnership interest, to act as the national advertising sales representative for the Fox Sports Net-owned RSNs and the RPP-owned and managed RSNs. Independent of the arrangements discussed above relating to RPP, for 30 days following December 18, 2002 and during certain periods thereafter, so long as NSP and NAP have not commenced an initial public offering of its securities, Rainbow has the right to cause Fox Sports Net to, at Fox Sports Net s option, either (i) purchase all of Rainbow s interests in NSP and NAP, or (ii) consummate an initial public offering of NSP s and NAP s securities. The purchase price will be the fair market value of Rainbow s interest in NSP and NAP and the consideration will be, at Fox Sports Net s option, in the form of marketable securities of certain affiliated entities of Fox Sports Net or a three-year note with an interest rate of prime plus ½%.

AWAS

During 2000, the Group sold all of its interest in Ansett Worldwide Aviation Services (AWAS). Following the sale, the Group received an indemnity from the acquirer of its interest in AWAS against the contingent liability under the guarantees of certain leveraged lease transactions. These guarantees total A$nil at June 30, 2002 (2001-A$322 million) as the liabilities were fully satisfied during the year at no cost to the Group.

Other

Various claims arise in the ordinary course of business against controlled entities. The amount of the liability (if any) at June 30, 2002 cannot be ascertained, but the Group believes that any resulting liability would not materially affect the financial position of the Group.

Income tax would arise if certain fixed assets, investments and publishing rights, titles and television licenses were to be disposed. As there is no present intention to dispose of any of these assets, the Directors believe it would be misleading to record any amount against this contingency.

Note 13 Exchangeable Preferred Securities

	At June 30, (in millions) 2001	2002
9,725,669 Exchangeable Trust Originated Preferred Securities (a)	A$ 1,883	A$ 1,690
Redeemable Preferred Securities (b)	1,784	
	A$ 3,667	A$ 1,690

(a) In November 1996, the Group, through a trust (the Exchange Trust) wholly-owned by News America Incorporated (NAI), a subsidiary of the Group, issued 10 million 5% Exchangeable Trust Originated Preferred Securities (the Exchangeable Preferred Securities) for aggregate gross proceeds of US$1 billion. Such proceeds were invested in (i) preferred securities representing a beneficial interest of NAI s 5% Subordinated Discount Debentures due November 12, 2016 (the Subordinated Debentures) and (ii) 10,000,000 warrants to purchase from NAI ordinary shares of BSkyB (the Warrants). These investments represent the sole assets of the Exchange Trust. Cumulative cash distributions are payable on the Exchangeable Preferred Securities at an annual rate of 5%. The Exchangeable Preferred Securities are mandatorily redeemable on November 12, 2016 or earlier to the extent of any redemption by NAI of any Subordinated Debentures or Warrants. The Group has the right to pay cash in US dollars equal to the market value of the BSkyB ordinary shares for which the Warrants are exercisable in lieu of delivering freely tradeable shares. The Group and certain of its direct and indirect subsidiaries have certain obligations relating to the Exchangeable Preferred Securities, the preferred securities representing a beneficial interest in the Subordinated Debentures, the Subordinated Debentures and Warrants which amount to a full and unconditional guarantee of the respective issuer s obligations with respect thereto.

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Note 13 Exchangeable Preferred Securities (continued)

(b) In conjunction with the unwinding of American Sky Broadcasting, LLC (ASkyB) during fiscal 1999, the Group recorded approximately US$800 million related to its requirement to issue redeemable preferred securities to MCI Communications Corporation (MCI). Interest accrues on this obligation at a rate of 6% per annum. In February 2002, the Group settled the outstanding obligation and accrued interest of US$1,017 million for US$930 million. The consideration consisted of 121.2 million preferred limited voting ordinary shares of the Group, valued at US$680 million and US$250 million in cash. This settlement satisfied the Group s obligation to issue redeemable preferred stock to WorldCom, Inc. (formerly MCI Communications Corporation). The Group recognized a US$87 million gain on the settlement of this obligation, which was recorded as Other revenues before tax in the Statement of Financial Performance.

Note 14 Outside Equity Interest in Controlled Entities

	At June 30, (in millions) 2001	2002
Capital (a) (b) (c)	A$ 4,734	A$ 4,330
Retained profits (a) (b)	319	534
Reserves	2	13
	A$ 5,055	A$ 4,877

(a) During November 1998, a subsidiary of the Group, FEG, which consists of all TNCL s film and television production and distribution, television broadcasting, cable network programming and related businesses in the United States, sold 124,800,000 shares of its Class A Common Stock in an initial public offering (IPO). As of June 30, 2002, TNCL has an equity interest of 85.32% of FEG, while its voting interest amounts to 97.8%. (See Note 24)

(b) During November 1999, an indirect subsidiary of TNCL, NDS Group plc (NDS) sold 10,350,000 ADSs in an IPO. TNCL currently has an equity interest of 78.25% of NDS. (See Note 16)

(c) On March 30, 2001, the Group s film distribution arrangement with New Millennium Investors, LLC (New Millenium) expired. The Group acquired the outstanding equity of New Millennium and repaid all of New Millenium s existing debt, resulting in the acquisition of film inventories of US$650 million and the elimination of current and non-current payables of US$117 million.

Concurrently, the Group entered into a new series of film rights agreements whereby a controlled consolidated subsidiary of the Group, Cornwall Venture LLC (NM2), that holds certain library film rights, funds the production or acquisition costs of all eligible films, as defined, to be produced by Twentieth Century Fox Film Corporation (TCF), a subsidiary of the Group, between 2001 and 2004 (these film rights agreements are collectively referred to as the New Millenium II Agreement). NM2 is a separate legal entity from the Group and TCF and has separate assets and liabilities. NM2 issued a preferred limited liability membership interest (Preferred Interest) to a third party to fund the film financing, which is presented on the consolidated Statement of Financial Position as outside equity interests in controlled entities. The Preferred Interest has no fixed redemption rights but is entitled to an allocation of the gross receipts to be derived by NM2 from the distribution of each eligible film. Such allocation to the extent available based on gross receipts from the distribution of the eligible films consists of (a) a return on the Preferred Interest (the Preferred Payments), based on certain reference rates (generally based on US commercial paper rates or LIBOR) prevailing on the respective dates of determination, and (b) a redemption of the Preferred Interest, based on a contractually determined amortization schedule. The Preferred Interest has a preference in the event of a liquidation of NM2 equal to the unredeemed portion of the investment plus any accrued and unpaid Preferred Payments. The Group owns the controlling equity interest in NM2. Accordingly, NM2 is consolidated as the Group has control over the strategic and operational decisions of NM2 and control of all film rights held by NM2.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 Outside Equity Interest in Controlled Entities (continued)

The net change in Preferred Interests outstanding was US$841 million and US$8 million for the years ended June 30, 2001 and 2002, respectively. These amounts consisted of issuances by the Group of additional Preferred Interests under the New Millennium II Agreement in the amount of US$131 million and US$657 million and redemptions by the Group of Preferred Interests of US$42 million and US$649 million during fiscal years 2001 and 2002, respectively. The original issuance of Preferred Interests was US$752 million in fiscal 2001.

At June 30, 2002, there was A$1,507 million (2001 A$1,663 million) of Preferred Interests outstanding, which is included in the Statement of Financial Position as outside equity interest in controlled entities, with the Preferred Payments recorded in the Statements of Financial Performance as outside equity interest.

A Ratings Trigger Event for the above agreement would occur if the Group s debt rating:

(i) (a) falls below BB+ and below Ba1, or (b) falls below BB, or (c) falls below Ba2, or (d) it is not rated by both rating agencies, and, in each case the Group has not, within ten business days after the occurrence of such event, provided credit enhancement so that the resulting agreement is rated at least BB+ and Ba1, or

(ii) (a) falls below BBB- and Baa3, or (b) it is not rated by both rating agencies, and, in each case, more than US$25 million in capital payments redeemable at that time from film gross receipts remain unredeemed for at least one quarter.

If a Ratings Trigger Event were to occur then (a) no new film will be transferred, (b) rights against certain film assets may be enforced, and (c) the Preferred Interest may become redeemable.

During fiscal 2002, no Ratings Trigger Event occurred. If a Ratings Trigger Event were to occur, then US$425 million (or approximately 50% of the outstanding balance as of June 30, 2002) may be payable immediately. The balance of the redemption would be payable to the extent of future gross receipts from films that had been transferred to NM2.

Note 15 Revenue and Expense Items

	At June 30,		
		(in millions)	
	2000	2001	2002
Operating income is arrived at after charging:			
Loss on sale of property, plant and equipment	A$ 16	A$ 45	A$ 14
Operating lease rentals	91	76	64
Rent	194	247	315
Trade debts written off	37	79	161
Net charge to provision for:			
Doubtful debts and rebates	166	151	286
Employee entitlements	87	91	99
Sundry	65	70	39

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 Revenue and Expense Items (continued)

Auditors remuneration

Amounts paid or payable for auditing the amounts of the parent entity and certain controlled entities:

	At June 30, (in thousands) 2000	2001	2002
Service provider			
Ernst & Young	A$	A$	A$ 9,070
Arthur Andersen	9,833	12,976	5,251
Other auditors	1,065	413	231
	A$ 10,898	A$ 13,389	A$ 14,552

Amounts paid or payable for other services:

	At June 30, (in thousands) 2000	2001	2002
Service provider			
Ernst & Young	A$ 3,327	A$ 7,598	A$ 7,384
Arthur Andersen	17,938	34,294	9,643
Other auditors	4,627	1,198	324
	A$ 25,892	A$ 43,090	A$ 17,351

As at June 30, 2002, the Group had approximately 33,800 (2001-31,400) full-time equivalent employees worldwide.

	At June 30, (in thousands) 2000	2001	2002
Depreciation and amortization			
Goodwill	A$ 41	A$ 53	A$ 64
Property, plant and equipment	472	608	640
Leased assets	49	45	45
	A$ 562	A$ 706	A$ 749

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Note 16 Other Items

The loss from ordinary activities before tax includes the following items whose disclosure is relevant in explaining the financial performance of the Group.

	Years Ended June 30, (in millions) 2000	2001	2002
Sale of Echostar shares (a)	A$ 598	A$ 415	A$ 468
Sale of Fox Family Worldwide (b)			2,323
Sale of Outdoor Life (c)			271
Sale of The Golf Channel (d)		476	
Sale of TM3 (e)		18	
Healtheon/Web MD transaction restructure, net (f)		(426)	
Write down of investment in One.Tel (g)		(576)	
Write down of investment in Stream (h)			(590)
Write down of investment in KirchMedia (i)			(460)
Write down of investment in Gemstar-TV Guide (j)			(11,138)
Write down of sports rights (k)			(1,861)
Early extinguishment of debt (l)			(191)
Restructuring costs	(136)	(258)	(40)
Disposal and write down of other non-current assets (m)	(257)	(923)	(756)
Sale of Ansett (n)	197		
Sale of Vox (o)	271		
Sale of AWAS (p)	(184)		
Sale of Asia Today Limited (q)	477		
NDS float and related asset sales (r)	220		
	A$1,186	A$(1,274)	A$(11,974)
Income tax (expense) benefit attributable to other items	(454)	19	(15)
Other (loss) after tax	A$ 732	A$(1,255)	A$(11,989)
Other (loss) after tax comprises:			
Other revenues before income tax	4,147	3,335	5,627
Other expenses before income tax	(2,961)	(4,609)	(17,601)
Income tax (expense) benefit attributable to other items	(454)	19	(15)
	A$ 732	A$(1,255)	A$(11,989)

(a) The Group sold its investment in Echostar Communications Corp. (Echostar) for total consideration of A$1,210 million, A$635 million, and A$1,312 million in 2000, 2001 and 2002, respectively. The Group recorded gains on these sales of Echostar shares of A$598 million, A$415 million and A$468 million in 2000, 2001 and 2002, respectively.

(b) In October 2001, Fox Broadcasting Company (FOX), Haim Saban and the other stockholders of Fox Family Worldwide (FFW), sold FFW to Disney for total consideration of approximately A$10.3 billion (US$5.2 billion) (including the assumption of certain debt), of which approximately A$3.2 billion (US$1.7 billion) was in consideration of the Group s interest in FFW. As a result of this transaction, the Group recognized a gain of approximately A$2.3 billion (US$1.2 billion) before tax and minority interest. In addition, the Group sublicensed certain post-season MLB games through the 2006 MLB season to Disney for aggregate consideration of approximately A$1.2 billion (US$675 million), payable over the entire period of the sublicense.

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Note 16 Other Items (continued)

(c) In July 2001, as a result of the exercise of rights by existing shareholders of Outdoor Life Network LLC (Outdoor Life), the Group acquired 50.23% of Outdoor Life for approximately A$608 million (US$309 million). This acquisition resulted in the Group owning approximately 83.18% of Outdoor Life. In October 2001, a shareholder of Outdoor Life acquired the Group s ownership interest in Outdoor Life for approximately US$512 million in cash. Upon the closing of the sale of the Group s ownership interest in Outdoor Life, the Group recognized a gain of A$271 million (US$142 million).

(d) In June 2001, the Group sold its 31% interest in The Golf Channel to Comcast for a total consideration of approximately A$695 million, of which A$676 million was received in cash during fiscal 2001. The Group recorded a gain on the sale of A$476 million in relation to this transaction.

(e) In March 2000, News Germany Television Holdings Gmbh purchased a 34% interest in TM3 KG and TM3 Gmbh to increase its holdings to 100% for total consideration comprised of DM 373.2 million (A$301.4 million). In January 2001, the Group agreed to sell TM3 to KirchMedia for cash consideration of approximately DM 315 million (A$265 million) and approximately DM 500 million (A$427 million) in KirchMedia s newly issued stock. The Group recorded a gain on this sale of approximately A$18 million. As of June 30, 2002, the Group owned approximately 2.53% of KirchMedia.

(f) As a result of the restructuring of the Group s investment in Healtheon/WebMD Corporation (WebMD), the Group swapped out of its preferred stock investment and recognized an impairment loss on its remaining common stock interest in WebMD. In exchange for the preferred shares the Group received the ownership interest in the Health Network (THN), warrants to purchase additional common stock in WebMD, a reduction in its obligation to provide future media services to and license content from WebMD and the elimination of future funding commitments to an international joint venture. The Group recorded a non-cash charge of approximately A$426 million (US$252 million) related to this restructuring. In June 2001, the Group sold its investment in THN to a third party for consideration valued at A$433 million.

(g) In May 2001, TNCL became aware of serious financial problems at One.Tel Limited, an Australian telecommunications company in which TNCL owns approximately 24% of the outstanding equity. Upon completion of One.Tel s auditors review of its current financial condition in late May 2001, One.Tel was placed in administration. The carrying value of the investment in One.Tel has been fully written down due to its plans to liquidate its operations.

(h) Stream S.p.A. (Stream) is a satellite pay-TV provider in Italy. In April 2000, the Group entered into an agreement to increase its interest in Stream to 50% through the purchase of shares of certain minority interest holders for approximately US$85 million (A$142 million). Pursuant to this agreement, in April 2000, the Group increased its equity ownership interest to 41.7% and in June 2000, further increased its equity interest to 50%. During the year, the Group wrote down its investment in Stream by $590 million to an amount considered by the Directors to be the recoverable amount at June 30, 2002. The Group will continue to monitor this investment and as circumstances change will assess the future recoverability of its carrying value.

(i) During fiscal 2002, given the financial uncertainties surrounding KirchPayTV and its parent Kirch Gruppe, the Group has recognized a charge of A$460 million to fully write down its investment in KirchMedia.

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Note 16 Other Items (continued)

(j) In July 2000, TV Guide, Inc. completed a merger with Gemstar International Group Limited (Gemstar) pursuant to which TVG became a wholly-owned subsidiary of Gemstar which was renamed Gemstar-TV Guide International, Inc The Group s ownership of the merged entity at July 2000 was approximately 21.38%. In May 2001, TNCL acquired approximately 80% of Liberty s 21.3% interest in Gemstar-TV Guide in exchange for approximately 121.5 million ADRs representing 486 million TNCL preferred limited voting ordinary shares. The acquisition by TNCL of a further interest in Gemstar-TV Guide through the issuance of preferred shares is a non-cash transaction, with investments and contributed equity increasing by A$7,920 million. In December 2001, the Group acquired the remaining 20% of Liberty s interest in Gemstar-TV Guide in exchange for approximately 28.8 million ADRs of the Group representing approximately 115.2 million preferred limited voting ordinary shares valued at A$1,407 million. This acquisition was a non-cash transaction, with investments and contributed equity increasing by A$1,407 million. As a result of this transaction, the Group s ownership interest in Gemstar-TV Guide increased to 42.6% (42.9% at June 30, 2002). As at June 30, 2002, the Group owned approximately 175 million shares in Gemstar-TV Guide and recorded a charge to reflect the permanent impairment in carrying value of A$11.1 billion. The charge was determined by reference to Gemstar-TV Guide s share price at June 28, 2002 of US$5.39 per share.

(k) As a result of the downturn in the United States of America in sports related advertising during the year, together with the reduction in long-term forecast advertising growth rates, in accordance with the Group s accounting policies, the Directors reevaluated the recoverability of the costs of certain sports contracts, principally in the United States. Accordingly, the Group recorded a one-time other expense of A$1,861 million relating to NFL (A$753 million), NASCAR (A$578 million), MLB (A$437 million) and non-US cricket programming rights (A$93 million).

(l) During the year, the Group extinguished a substantial portion of debt owing on 10 $^{1}/8$% Senior Debentures due October 2012 and on 8 $^{5}/8$% Senior Notes due 2003. The Group recognized a loss of A$64 million and A$47 million, respectively, due to the early extinguishment of debt. In June 2002, the Group and Fox Sports Networks, an indirect subsidiary of the Group, irrevocably called for the redemption all of outstanding 8.875% Senior Notes and the 9.75% Senior Discounted Notes. The Group recognized a loss of A$80 million on the irrevocable early extinguishment of the debt.

(m) During fiscal 2001, the Group wrote down certain of its non-current assets, in particular its investment in Zee Telefilms Limited (ZTL) and certain new media assets. During fiscal 2002, the Group further wrote down certain non-current assets, mainly interactive, media and sporting assets, to their recoverable amount. During 2002, the Group also disposed of various non-current assets for an aggregate consideration of A$96 million (2001 A$880 million). During the year, the Group also settled certain liabilities owing to MCI Communications Corporation (MCI), including accrued interest, of US$1,017 million for US$930 million, consisting of 121.2 million preferred limiting voting shares valued at US$680 million and US$250 million in cash. The Group recognized a gain of A$166 million on the settlement.

(n) In June 2000, the Group completed the sale of its 50% interest in Ansett Holdings Limited (Ansett) to Air New Zealand Limited (ANZ). The Group received A$580 million in cash and certain deferred compensation based upon the market value of ANZ shares. The Group recognized a gain of A$197 million on the sale of Ansett in fiscal year 2000.

(o) In January 2000, News Germany Television Holdings Gmbh sold its 49.9% holding in VOX to RTL Television GMBH for a consideration of DM550 million. The Group recognized a gain in the amount of A$271 million on disposal.

(p) In April 2000, the Group sold its 50% investment in AWAS, an airline leasing operation, for approximately A$267 million (US$160 million). The Group recorded a loss on this sale of approximately A$184 million (US$116 million).

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Note 16 Other Items (continued)

(q) In April 2000, the Group completed the sale of its 50% interest in Asia Today Limited, whose principal assets were investments in the Zee television channels in India and Siticable, an Indian cable operator, to ZTL, a company listed on the Bombay Stock Exchange, for total consideration of approximately A$646 million (US$407 million), of which A$247 million (US$148 million) was paid in cash and the balance of the consideration in shares of ZTL. This sale resulted in a gain of A$477 million (US$301 million).

(r) In November 1999, NDS completed an IPO of 10,350,000 American Depository Shares (ADS) at US$20 per ADS, for net proceeds of approximately GBP 119 million (A$302 million). The IPO resulted in a gain of A$280 million. Also, during fiscal 1999, NDS sold the digital hardware business to Tandberg Television ASA. The Group recognized a loss of A$60 million on the disposal.

Note 17 Industry and Geographical Segment Data

Business Segments

	For the Year Ended June 30, 2000 (in millions)								
	Filmed Entertainment	Television	Cable Network Programming	Magazines & Inserts	Newspapers	Book Publishing	Other	Unallocated	Total
Sales revenue	A$ 6,269	A$ 5,689	A$ 2,005	A$ 1,585	A$ 4,448	A$ 1,634	A$ 813	A$	A$ 22,443
Operating expenses	(6,114)	(4,536)	(1,885)	(1,174)	(3,578)	(1,493)	(921)		(19,701)
Operating income	155	1,153	120	411	870	141	(108)		2,742
Net profit (loss) from associated entities before other items	(31)	(336)	(25)		45		119		(228)
Net borrowing costs								(814)	(814)
Dividends on exchangeable preferred securities								(79)	(79)
Income tax expense on ordinary activities								(225)	(225)
Outside equity interest before other items								(137)	(137)
Profit before change in accounting policy and other items									1,259
		1,090					3,057		4,147

Other revenues before income tax									
Other expenses before income tax		(540)			(18)	(67)	(2,336)		(2,961)
Income tax benefit on other items								(454)	(454)
Net (loss) from associate other items	(51)	(119)	80				20		(70)
Net profit (loss) attributable to members of the parent entity	A$ 73	A$ 1,248	A$ 175	A$ 411	A$ 897	A$ 74	A$ 752	A$ (1,709)	A$ 1,921

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 Industry and Geographical Segment Data (continued)

	For the Year Ended June 30, 2001 (in millions)								
	Filmed Entertainment	Television	Cable Network Programming	Magazines & Inserts	Newspapers	Book Publishing	Other	Unallocated	Total
Sales revenue	A$ 6,795	A$ 6,838	A$ 2,696	A$ 1,675	A$ 4,600	A$ 1,907	A$ 1,067	A$	A$ 25,578
Operating expenses	(6,308)	(5,831)	(2,499)	(1,238)	(3,696)	(1,702)	(1,211)		(22,485)
Operating income	487	1,007	197	437	904	205	(144)		3,093
Net profit (loss) from associated entities before other items	(28)	(316)	15		34		133		(162)
Net borrowing costs								(935)	(935)
Dividends on exchangeable preferred securities								(90)	(90)
Income tax expense before changed in accounting policy and other items								(428)	(428)
Outside equity interest before other items								(196)	(196)
Profit before change in accounting policy and other items									1,282
Other revenues before income tax		723	1,213				1,399		3,335
Other expenses before income tax		(888)	(1,111)	(68)			(2,542)		(4,609)
Income tax benefit on other items								19	19
Net loss from associate other items		(78)			(9)				(87)
Change in accounting	(1,107)								(1,107)

policy									
Income tax benefit on change in accounting policy								421	421
Net profit (loss) attributable to members of the parent entity	A$ (648)	A$ 448	A$ 314	A$ 369	A$ 929	A$ 205	A$ (1,154)	A$ (1,209)	A$ (746)

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Note 17 Industry and Geographical Segment Data (continued)

	For the Year Ended June 30, 2002 (in millions)								
	Filmed Entertainment	Television	Cable Network Programming	Magazines & Inserts	Newspapers	Book Publishing	Other	Unallocated	Total
Sales revenue	A$ 7,714	A$ 8,160	A$ 3,569	A$ 1,650	A$ 4,604	A$ 2,059	A$ 1,258	A$	A$ 29,014
Operating expenses	(6,810)	(7,287)	(3,189)	(1,202)	(3,782)	(1,835)	(1,367)		(25,472)
Operating income	904	873	380	448	822	224	(109)		3,542
Net profit (loss) from associated entities before other items	(19)	(446)	(79)		47		183		(314)
Net borrowing costs								(1,000)	(1,000)
Dividends on exchangeable preferred securities								(93)	(93)
Income tax expense before other items								(640)	(640)
Outside equity interest before other items								(278)	(278)
Profit before other items									1,217
Other revenues before income tax			4,234				1,393		5,627
Other expenses before income tax		(1,240)	(1,689)				(14,672)		(17,601)
Income tax expense on other items								(15)	(15)
Net loss from associate other items		(1,045)	(50)		(25)				(1,120)
Outside equity interest on other items								(70)	(70)
Net profit (loss) attributable to	A$ 885	A$ (1,858)	A$ 2,796	A$ 448	A$ 844	A$ 224	A$ (13,205)	A$ (2,096)	A$ (11,962)

members of the parent entity									

Total segment revenue per AASB 1005 Segment Reporting is the addition of sales revenue, net (profit) loss from associated entities before Other items, Other revenues before income tax and Net (profit) loss from associate other items.

Intersegment revenues generated primarily by the Filmed Entertainment segment of A$1,484 million (2001 A$843 million) have been eliminated within the Filmed Entertainment segment. Intersegment operating income generated by the Filmed Entertainment segment of A$76 million (2001 A$24 million) have been eliminated on consolidation within the Filmed Entertainment segment.

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Note 17 Industry and Geographical Segment Data (continued)

At June 30, 2001

(in millions)

	Filmed Entertainment	Television	Cable Network Programming	Magazines & Inserts	Newspapers	Book Publishing	Other	Unallocated	Total
Assets									
Investments in associated entities	A$ 91	A$ 3,004	A$ 4,525	A$	A$ 447	A$	A$ 11,955	A$	A$ 20,022
Segment assets	8,515	21,135	9,545	2,929	8,563	3,323	2,082		56,092
Corporate assets								8,847	8,847
Total assets	8,606	24,139	14,070	2,929	9,010	3,323	14,037	8,847	84,961
Liabilities									
Segment liabilities	3,802	4,566	1,278	719	709	833	2,011		13,918
Corporate liabilities								23,448	23,448
Total liabilities	3,802	4,566	1,278	719	709	833	2,011	23,448	37,366
Acquisition of assets	123	124	535	27	632	67	404		1,912
Depreciation and amortization	134	170	79	17	222	14	70		706
Other non-cash expenses	1,107	888	1,111	68			2,472		5,646

At June 30, 2002

(in millions)

	Filmed Entertainment	Television	Cable Network Programming	Magazines & Inserts	Newspapers	Book Publishing	Other	Unallocated	Total
Assets									
Investments in associated entities	A$ 99	A$ 1,179	A$ 3,389	A$	A$ 403	A$	A$ 1,805	A$	A$ 6,875
Segment assets	7,380	22,864	10,627	2,527	8,249	3,037	1,745		56,429
Corporate assets								8,137	8,137
Total assets	7,479	24,043	14,016	2,527	8,652	3,037	3,550	8,137	71,441
Liabilities									
Segment liabilities	4,209	4,965	1,146	488	755	630	1,367		13,560
Corporate liabilities								18,413	18,413

Total liabilities	4,209	4,965	1,146	488	755	630	1,367	18,413	31,973
Acquisition of assets	103	5,473	1,546	9	197	10	242		7,580
Depreciation and amortization	131	193	82	13	225	15	90		749
Other non-cash expenses		1,238	1,683	12			14,457		17,390

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Note 17 Industry and Geographical Segment Data (continued)

Geographic Segments

	2000				
	(in millions)				
	USA	UK	Australia	Unallocated	Total
Sales revenue	A$ 16,665	A$ 3,600	A$ 2,178	A$	A$ 22,443
Net (loss) from associated entities before other items	(136)	(148)	56		(228)
Other revenues before income tax	1,526	1,177	1,444		4,147

	2001				
	(in millions)				
	USA	UK	Australia	Unallocated	Total
Sales revenue	A$ 19,094	A$ 4,185	A$ 2,299	A$	A$ 25,578
Net (loss) from associated entities before other items	(85)	(73)	(4)		(162)
Other revenues before income tax	2,330	973	32		3,335
Assets					
Investment in associated entities	15,756	2,360	1,906		20,022
Segment assets	43,093	7,508	5,491		56,092
Corporate assets				8,847	8,847
Total assets	58,849	9,868	7,397	8,847	84,961
Acquisition of assets	1,264	542	106		1,912

	2002				
	(in millions)				
	USA	UK	Australia	Unallocated	Total
Sales revenue	A$ 22,194	A$ 4,418	A$ 2,402	A$	A$ 29,014
Net (loss) from associated entities before other items	(222)	(113)	21		(314)
Other revenues before income tax	5,579		48		5,627
Assets					
Investment in associated entities	4,456	671	1,748		6,875
Segment assets	44,035	7,247	5,147		56,429
Corporate assets				8,137	8,137
Total assets	48,491	7,918	6,895	8,137	71,441
Acquisition of assets	7,259	202	119		7,580

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Note 17 Industry and Geographical Segment Data (continued)

For 2002, management has redefined the Filmed Entertainment segment to reflect a change in how the business is analyzed and evaluated. The redefined segment includes all of the previous filmed entertainment activity along with certain activities previously included in the Television segment, primarily comprised of divisions which produce and distribute television programming and also distribute feature motion pictures for syndication and cable television in the United States. Prior year segment disclosures have been reclassified to conform to current year presentation.

Sales are grouped based on countries of origin.

The following is geographic segment information on long-lived assets:

	At June 30, (in millions) 2001	2002
Long-Lived Assets		
United States	A$ 34,428	A$ 37,473
United Kingdom	6,473	6,325
Australasia	4,737	4,409
Corporate	23,150	8,587
Total	A$ 68,788	A$ 56,794

There were no material intersegment sales between geographic areas.

Australasia comprises Australia, Asia, Fiji, Papua New Guinea and New Zealand.

United Kingdom comprises operations conducted in Europe.

Note 18 Earnings Per Share

The following are various earnings per share calculations:

	Years ended June 30, 2000	2001	2002
Earnings per share on net profit (loss) attributable to members of the parent entity			
Basic/Diluted			
Ordinary shares	A$ 0.424	A$ (0.174)	A$ (2.170)
Preferred limited voting ordinary shares	0.509	(0.209)	(2.604)
Ordinary and preferred limited voting ordinary shares	0.469	(0.192)	(2.431)

	Years ended June 30, 2000	2001	2002
		(in millions)	
Basic/Diluted(a)			
Denominator weighted number of shares:			

Ordinary	1,896	1,924	1,962
Preferred limited voting shares	2,107	2,217	2,979

	Years ended June 30,		
	2000	2001	2002
		(in millions)	
Numerator earnings result	A$ 1,877	A$ (797)	A$ (12,014)
Reconciliation to Net profit (loss) from ordinary activities after tax			
Numerator	1,877	(797)	(12,014)
Outside equity interest	137	196	348
Dividends on preference shares	44	51	52
Net profit (loss) from ordinary activities after tax	A$ 2,058	A$ (550)	A$ (11,614)

(a) The basic and diluted earnings per share calculations are the same, as potential shares were anti-dilutive in accordance with AASB 1027 Earnings per Share .

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Note 19 Stockholders Equity

By Section 1408 of the Corporations Act 2001 (which carries forward Sections 1427, 1444 and 1449 of the Corporations Law) provisions of a Company s constitution that state the authorized amount of a company s share capital are repealed. Also, by Section 254C of the Corporations Act 2001 all shares of a company no longer have any par value. Accordingly, the share capital of the Group is now stated as a number of issued shares.

Ordinary and Preferred Shares

During fiscal 2000, TNCL issued to shareholders a total of 2,761,779 ordinary shares and 4,541,731 preferred shares under the Dividend Reinvestment and Bonus Share Plans. A total of US$305,000 Zero Coupon Notes were converted into 36,696 ordinary shares and 18,344 preferred shares. A total of US$222,096,000 Liquid Yield Option Notes were converted into 12,638,375 ordinary shares and 6,319,148 preferred shares. In July 1999, MCI Communications Corporation through a wholly owned subsidiary, MCI Telecommunications Corporation, exercised warrants and received 225 million TNCL preferred limited voting ordinary shares for no additional consideration and immediately sold these shares to the Group for US$1,390 million. Contemporaneously, the Group sold US$895 million of such shares to two existing shareholders.

During fiscal 2001, TNCL issued to shareholders a total of 1,934,849 ordinary shares and 3,778,644 preferred shares under the Dividend Reinvestment and Bonus Share Plans. A total of US$71,000 Zero Coupon Notes were converted into 7,277 ordinary shares and 3,639 preferred shares. A total of US$915,505,000 Liquid Yield Option Notes were converted into 52,096,928 ordinary shares and 26,048,338 preferred shares.

During fiscal 2002, TNCL issued to shareholders a total of 2,332,231 ordinary shares and 5,156,667 preferred shares under the Dividend Reinvestment and Bonus Share Plans. A total of A$5.2 million Zero Coupon Notes were converted into 277,364 ordinary shares and 138,680 preferred shares.

A holder of a preferred limited voting ordinary share (preferred share) shall be entitled to vote at any general meeting of the TNCL by virtue of holding such share mutatis mutandis in the same manner and subject to the same conditions as the holder of an ordinary share (including as to the number of votes which may be cast on a poll) but only in the following circumstances and not otherwise:

(i) on a proposal to reduce the share capital of TNCL, or on a proposal to wind up or during the winding up of TNCL, or on a proposal for the disposal of the whole of the property, business and undertaking of TNCL;
(ii) on a proposal that affects rights attached to the preferred share;
(iii) during a period which a Dividend (or part of a Dividend) in respect of the preferred share is in arrears; or
(iv) on a resolution to approve the terms of a buy-back agreement.

Executives Share Option Scheme (Scheme), News Corporation Share Option Plan (Plan) and Australian Executive Option Plan (AEOP)

The arrangements of these three plans provide that options may be granted for a number of shares, the transfer of which will not exceed 5% of TNCL s issued share capital to employees of management or equivalent status, including Executive Directors. The exercise price of the options issued under the arrangements is the weighted average market price of the shares sold on the Australian Stock Exchange during the five trading days immediately prior to the date the option is granted. Options granted under the Plan and the AEOP have a term of 10 years after the date of grant. The options granted under the Plan and the AEOP vest and become exercisable as to one quarter on each anniversary of the grant. The options granted under the Plan and the AEOP allow the Group to procure the transfer of issued ordinary or preferred shares to option holders rather than issue new shares to them. There are currently no options issued and outstanding under the Scheme.

Under the UK Plan (a sub-plan to the The News Corporation Share Option Plan) the exercise price of options granted represent a discount of up to 20% of the market price of the shares as at the grant date of the option.

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Note 19 Stockholders Equity (continued)

A summary of the option scheme activity is as follows (option numbers in thousands of shares):

	2000		2001		2002	
	Options	Weighted Avg Ex. Price	Options	Weighted Avg Ex. Price	Options	Weighted Avg Ex. Price
Outstanding at beginning of year	97,823	A$ 7.71	139,669	A$ 11.07	159,507	A$ 12.71
Granted	70,902	15.49	33,357	17.60	52,720	12.46
Exercised	(23,296)	6.09	(9,645)	6.21	(5,763)	6.38
Cancelled	(5,760)	7.21	(3,874)	11.32	(6,439)	12.80
Outstanding at end of year	139,669	A$ 11.07	159,507	A$ 12.71	200,025	A$ 12.82
Exercisable at end of year	41,397		61,775		97,899	
Weighted average fair value of options granted		A$ 3.59		A$ 7.50		A$ 4.47

The following table summarizes information about the Scheme, Plan and AEOP options, as of June 30, 2002. (Option numbers in thousands of shares)

Range of Exercise Prices	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Exercisable Options	Weighted Average Exercise Price
A$4.57 to A$6.79	30,254	A$ 5.08	4.11	30,254	A$ 5.08
A$7.03 to A$10.55	38,395	A$ 9.41	6.46	24,498	A$ 9.20
A$10.66 to A$15.86	70,434	A$ 12.10	8.68	19,411	A$ 11.35
A$17.72 to A$22.11	60,942	A$ 19.65	7.76	23,736	A$ 20.07
	200,025			97,899	

A summary of the New World, Heritage and Chris-Craft options:

	2000		2001		2002	
	Options	Weighted Avg Ex. Price	Options	Weighted Avg Ex. Price	Options	Weighted Avg Ex. Price
Outstanding at beginning of year	1,005	A$ 2.21	624	A$ 2.21	594	A$ 2.19
Granted					32,954	5.19
Exercised	(381)	2.21	(30)	2.47	(12,255)	4.60
Cancelled					(528)	7.14
Outstanding at end of year	624	A$ 2.21	594	A$ 2.19	20,765	A$ 5.41

Exercisable at end of year	624	594	20,709
Weighted average fair value of options granted	A$	A$	A$ 3.53

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Note 19 Stockholders Equity (continued)

The following table summarizes information about the New World, Heritage and Chris-Craft options, as of June 30, 2002. (Option numbers in thousands of shares)

Range of Exercise Prices	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Exercisable Options	Weighted Average Exercise Price
US$1.15 to US$1.70	192	US$ 1.38	1.26	192	US$ 1.38
US$1.90 to US$2.54	216	US$ 2.22	3.62	216	US$ 2.22
US$2.95 to US$3.87	3,419	US$ 3.17	1.89	3,419	US$ 3.17
US$4.49 to US$6.36	16,664	US$ 5.92	5.44	16,664	US$ 5.92
US$6.93 to US$8.11	274	US$ 7.22	2.52	218	US$ 7.21
	20,765			20,709	

NDS

NDS, a subsidiary of the Group, has three executive share option schemes: The NDS 1997 Executive Share Option Scheme (the 1997 scheme), The NDS 1999 Executive Share Option Scheme (the 1999 unapproved scheme) and The NDS UK Approved Share Option Scheme (the 1999 approved scheme), together the NDS Plans . The provisions of each scheme are substantially the same, except that the 1999 approved scheme is approved by the UK Inland Revenue for the purposes of granting UK employees options over shares in NDS which are free from income tax in the hands of the employee under certain circumstances. Following the creation of the 1999 unapproved scheme, no further options will be granted under the 1997 scheme.

The NDS plans provide for the grant of options to purchase Series A ordinary shares in NDS with a maximum term of 10 years. Options granted under the schemes vest over a four-year period. The NDS plans authorize options to be granted subject to a maximum of 10% of the ordinary shares of NDS on issue at the date of grant. Options granted prior to the Public Offering were granted at the Directors estimates of the market value of NDS, as supported by independent advice. Vested options became exercisable following the Initial Public Offering of the Series A ordinary shares on November 22, 1999. Options granted on, and subsequent to, the Initial Public Offering have been granted at an exercise price equal to the quoted closing price of the Series A ordinary shares on the NASDAQ Exchange on the last trading day before the date of grant.

In addition, NDS operates employee share ownership schemes in the UK, Israel and the US. These enable employees to enter into a fixed-term savings contract with independent financial institutions linked to an option to subscribe for Series A ordinary shares in NDS. The option price is set at a discount of between 15% and 20% of the quoted closing price of the Series A ordinary shares on the NASDAQ Exchange on the last trading day before the announcement of the schemes.

The option prices have been determined in US dollars because that is the denomination of the market in which the shares are most easily traded. A summary of the NDS plans activities is as follows (option numbers are in thousands of shares):

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19 Stockholders Equity (continued)

	2000		2001		2002	
	Options	Weighted Avg. Ex. Price	Options	Weighted Avg. Ex. Price	Options	Weighted Avg. Ex. Price
Outstanding at beginning of year	2,838	US$ 8.66	3,186	US$ 16.03	3,753	US$ 26.55
Granted	1,183	28.86	950	56.19	1,022	21.73
Exercised	(646)	9.40	(87)	25.39	(70)	37.31
Cancelled	(189)	8.42	(296)	8.73	(199)	10.66
Outstanding at end of year	3,186	US$ 16.03	3,753	US$ 26.55	4,506	US$ 25.23
Exercisable at end of year	1,139		1,260		2,205	
Weighted average fair value of options granted		US$ 11.49		US$ 20.13		US$ 7.06

The market value of the options issued during the year under these plans amounted to US$1 million.

	Options Outstanding as at June 30, 2002			Options Exercisable as at June 30, 2002	
Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number	Weighted Average Exercise Price
Up to US $10.00	1,628	US$ 8.72	5.76	1,491	US$ 8.61
US$10.01 to US$20.00	840	US$ 19.86	7.49	406	US$ 20.00
US$20.01 to US$30.00	954	US$ 21.90	9.26		US$
US$30.01 to US$40.00	96	US$ 34.54	1.35		US$
US$40.01 to US$50.00	12	US$ 43.00	7.57	5	US$ 43.00
US$50.01 to US$60.00	946	US$ 59.32	8.30	288	US$ 56.88
US$60.01 to US$70.00	30	US$ 66.00	7.64	15	US$ 66.00
All Options	4,506	US$ 25.23	7.28	2,205	US$ 17.75

All NDS employees are entitled to participate in the plans, however (with the exception of the employees share ownership schemes which are open to all NDS employees), NDS management determines to whom and how many options are granted.

Share and Share Option Transactions with Directors and Their Director Related Entities

During the fiscal year ended June 30, 2000, a total of 681,169 ordinary shares and 6,220,667 preferred shares were acquired by Directors and their Director related entities under the operation of the Dividend Reinvestment and Bonus Share Plan and as a result of share option exercises.

During the fiscal year ended June 30, 2001, a total of 1,032,726 ordinary shares and 1,297,746 preferred shares were acquired by Directors and their Director related entities under the operation of the Dividend Reinvestment and Bonus Share Plan and as a result of share option exercises.

During the fiscal year ended June 30, 2002, a total of 1,067,997 ordinary shares and 284,752 preferred shares were acquired by Directors and their Director related entities under the operation of the Dividend Reinvestment and Bonus Share Plan and as a result of share option exercises.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19 Stockholders Equity (continued)

The above exercising of options and acquisition and disposal of shares was made on terms and conditions no more favorable than those offered to other share and option holders.

In fiscal 2002, TNCL issued 2,308,000 (2001 2,516,000) share options over preferred shares to certain directors of TNCL.

A subsidiary of TNCL issued 10,000,000 8 $^{5}/8$% guaranteed perpetual preference shares in July 1993 and a further 3,800,000 adjustable rate cumulative preference shares in July 1994. These shares are redeemable at the option of TNCL and rank after all debt holders in respect to both capital and dividends. Dividends on these shares can only be paid out of available profits.

Queensland Press Pty. Limited, an associated entity of the Company holds 316 million, representing 15.1% (2001 312 million, representing 14.9%), ordinary shares and 151 million, representing 4.7% (2001 151 million, representing 5.7%), preferred shares in the Group. Consolidated contributed equity has been reduced to remove this reciprocal shareholding in accordance with AASB 1016 Accounting for Investments in Associates. Investments in associates have been reduced by the same amount. The average shares used to calculate earnings per share has been adjusted accordingly as in prior years.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 United States Generally Accepted Accounting Principles

The following consolidated condensed statements of operations and comprehensive income (loss), balance sheets and statements of cash flows are presented in accordance with US-GAAP and are based upon the significant differences between US-GAAP and A-GAAP described in notes (a) to (r) herein and the reconciliation of consolidated net income (loss) and stockholders equity which follows the notes.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Years Ended June 30, (in millions except per share amounts)		
	2000	**2001**	**2002**
Revenue	A$ 22,337	A$ 25,387	A$ 28,776
Cost and expenses	(19,720)	(22,243)	(25,286)
Depreciation and amortization	(1,108)	(1,321)	(1,373)
Other operating charge			(1,861)
Operating income	A$ 1,509	A$ 1,823	A$ 256
Other income (expense):			
Equity in losses of associated companies	A$ (936)	A$ (1,711)	A$ (14,840)
Interest, net	(829)	(935)	(1,000)
Gain on issuance of subsidiary shares	854		
Other income (expense)	1,070	635	1,965
	159	(2,011)	(13,875)
Income (loss) before income taxes and minority interest	1,668	(188)	(13,619)
Income tax expense	(773)	(517)	(572)
Minority interest	(1,224)	1,445	(361)
Income (loss) before cumulative effect of accounting change	(329)	740	(14,552)
Cumulative effect of accounting change, net of tax		(958)	(118)
Net income (loss)	A$ (329)	A$ (218)	A$ (14,670)
Other comprehensive income (loss):			
Foreign currency translation adjustment	A$ 1,928	A$ 2,758	A$ (2,721)
Minimum pension liability adjustment			(198)
Unrealized holding gains (loss) on securities, net of tax	26	644	(3)
Other comprehensive income (loss)	1,954	3,402	(2,922)
Comprehensive income (loss)	A$ 1,625	A$ 3,184	A$ (17,592)
Basic and diluted earnings (loss) per share:			
Income (loss) before cumulative effect of accounting change, net of tax:			
Ordinary shares	A$ (0.09)	A$ 0.15	A$ (2.64)
Preferred limited voting ordinary shares	(0.10)	0.18	(3.16)
Cumulative effect of accounting change:			
Ordinary shares	A$	A$ (0.21)	A$ (0.02)

Preferred limited voting ordinary shares				(0.25)		(0.03)
Net loss:						
Ordinary shares	A$	(0.09)	A$	(0.06)	A$	(2.66)
Preferred limited voting ordinary shares		(0.10)		(0.07)		(3.19)

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 United States Generally Accepted Accounting Principles (continued)

CONSOLIDATED CONDENSED BALANCE SHEETS

	At June 30, (in millions) 2001	2002
ASSETS		
Current assets		
Cash and cash equivalents	A$ 5,615	A$ 6,337
Receivables net of allowance	6,683	5,809
Inventories	3,259	1,935
Other	649	598
Total currents assets	16,206	14,679
Investments	27,701	8,004
Property, plant and equipment net of accumulated depreciation (2001 A$3,788 and 2002 A$4,153)	6,963	6,527
Other non-current assets		
Excess of cost over net assets acquired net of accumulated amortization (2001 A$802 and 2002 A$743)	2,172	5,626
Publishing rights, titles and television licenses net of accumulated amortization (2001 A$2,902 and 2002 A$3,505)	21,099	24,831
Long-term receivables	762	796
Inventories	5,219	4,232
Other	1,344	1,142
Total other non-current assets	30,596	36,627
Total assets	A$ 81,466	A$ 65,837
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Borrowings	A$ 63	A$ 1,856
Accounts payable and other	9,947	9,362
Total current liabilities	10,010	11,218
Non-current liabilities		
Borrowings	18,742	13,585
Accounts payable and other	8,906	10,787
Total non-current liabilities	27,648	24,372
Minority interest in subsidiaries, including exchangeable preferred securities	7,523	5,294
Stockholders equity	36,285	24,953
Total liabilities and stockholders equity	A$ 81,466	A$ 65,837

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 United States Generally Accepted Accounting Principles (continued)

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended June 30, (in millions) 2000	2001	2002
Net loss	A$ (329)	A$ (218)	A$ (14,670)
Adjustments to reconcile net loss to cash provided by operating activities:			
Equity losses of associated companies and distributors companies	1,106	1,817	13,155
Depreciation and amortization	1,222	1,488	1,594
Provisions and other	142	188	378
Other non-cash items, net	(1,554)	(635)	2,191
Cumulative effect of accounting change		958	118
Change in related balance sheet accounts	(441)	(2,887)	304
Cash provided by operating activities	146	711	3,070
Investing and Other Activities:			
Property, plant and equipment	(671)	(1,113)	(505)
Investments	(3,773)	(2,844)	(3,371)
Proceeds from sale of other non-current assets	3,341	2,387	4,284
Cash used in investing activities	(1,103)	(1,570)	408
Financing Activities:			
Issuance of debt		1,496	
Repayment of debt	(1,621)	(63)	(2,181)
Issuance of ordinary shares	127	56	133
Issuance of shares of subsidiaries	317		
Repurchase of preference shares	(1,166)	(91)	
Dividends paid	(233)	(205)	(278)
Leasing and other finance costs	(52)	(5)	(7)
Cash (used in) provided by financing activities	(2,628)	1,188	(2,333)
Net increase (decrease) in cash	(3,585)	329	1,145
Opening cash balance	7,483	4,638	5,615
Exchange movement on opening cash balance	740	648	(423)
Closing cash balance	A$ 4,638	A$ 5,615	A$ 6,337

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 United States Generally Accepted Accounting Principles (continued)

A description of A-GAAP which differs significantly in certain respects from US-GAAP follows:

(a) Revaluation of Assets

Prior to fiscal 1991, property, plant and equipment, publishing rights, titles, television licenses and investments were revalued at an amount in excess of cost. The major portion of such revaluation was ascribed to publishing rights. No revaluations have been performed since fiscal 1990. During fiscal 2001, the Group, in accordance with AASB 1041 Revaluation of Non-current Assets , adopted a cost basis of measurement, thereby discontinuing further revaluations under A-GAAP. US-GAAP does not permit the revaluation of assets in excess of cost. Accordingly, a gain on the sale of any existing revalued asset would differ between A-GAAP and US-GAAP by the amount of the remaining unamortized revaluation.

(b) Intangible Assets

Under A-GAAP, amounts paid on the acquisition of publishing rights, titles and television licenses, in connection with purchase business combinations and initial cable distribution investments, are not amortized by the Company as they are considered to have indefinite useful lives. The excess of cost over net assets acquired in purchase business combinations is amortized over a period of 20 years using the straight-line method. Under US-GAAP, these intangible assets are being amortized on a straight-line method not exceeding 40 years except for those business combinations initiated after June 30, 2001. Also see (h), (s) and (t).

(c) Investments

The equity method of accounting for associated companies has been adjusted to reflect the approximate effect of applying US-GAAP to the associated companies A-GAAP consolidated financial statements. Additionally, the Group s investment exceeds its equity in the underlying net assets of certain of these investees. Under A-GAAP, this amount is not amortized as the excess in each case is considered by the Company to be an intangible asset and with an indefinite useful life. Under US-GAAP, the difference between the cost of these investments and the underlying equity in their net assets is considered an intangible asset and is amortized over a period not to exceed 40 years. Also see (l).

In fiscal 1999 BSkyB recorded a charge and a related accrual for the transitioning of its existing analog subscribers onto its digital service. Under US-GAAP, a significant portion of these charges were recorded as incurred and as of June 30, 2002 this transitioning is substantially complete. During fiscal 2000, 2001 and 2002 approximately A$202 million, A$169 million and A$19 million, respectively, was charged to earnings for US-GAAP purposes.

Under US-GAAP, in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities , the Group currently classifies its equity securities as available-for-sale securities, reported at fair market value, with unrealized gains and losses excluded from earnings and reported as a component of other comprehensive income (loss) within stockholders equity.

The Group records gains or losses on the issuance of shares of subsidiaries and equity investees. Under A-GAAP, gains (losses) resulting from the issuance of shares of equity investees are recorded as a component of stockholders equity. Under US-GAAP, these gains (losses) are recorded as part of earnings, in accordance with the Securities and Exchange Commission s (SEC) Staff Accounting Bulletin (SAB) No. 51, Accounting for Sales of Stock by a Subsidiary.

In fiscal 2001, the Group recognized gains on the issuance of shares of associated entities of A$856 million which were included in the Gain (loss) on sale/disposal of non-current assets, net line in the accompanying reconciliation of net loss to US-GAAP.

During fiscal year 2002 Gemstar-TV Guide, in which the Company has an investment which is accounted for using the equity method, experienced a significant decline in its market capitalization.

In determining if the decline in Gemstar-TV Guide s market value was other than temporary, the Group considered a number of factors: (i) the financial condition, operating performance and near term prospects of the investee; (ii) the reason for the

THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 United States Generally Accepted Accounting Principles (continued)

decline in fair value, be it general market conditions, industry specific or investee specific; (iii) analysts ratings and estimates of 12 month share price targets for the investee; (iv) the length of the time and the extent to which the market value has been less than the carrying value of the Group s investment; and (v) the Company s intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value.

As a result of this review, the Group recorded an A$11.7 billion charge to reduce the carrying value of the investment to reflect an other-than-temporary decline in value. The charge was determined by reference to Gemstar-TV Guide s share price at June 28, 2002 of US$5.39 per share and the Company s ownership of approximately 175 million shares.

On August 19, 2002, Gemstar-TV Guide received a Nasdaq Staff Determination that its securities are subject to delisting from the Nasdaq National Market because Gemstar-TV Guide failed to file its Form 10-Q for the quarter ended June 30, 2002 on a timely basis. Gemstar TV-Guide delayed the filing of its Form 10-Q because of a dispute with its independent accountants regarding Gemstar TV-Guide s decision to restate its financial statements for the year ended December 31, 2001. On November 9, 2002 the Nasdaq Listing Qualifications Panel granted Gemstar-TV Guide s request for an exception to continue its listing on the Nasdaq National Market based on certain conditions including filing with the SEC and Nasdaq, on or prior to March 3, 2003, all necessary amended filings for fiscal 2000, 2001 and 2002, including affirmative statements that the filings have been reviewed and/or audited in accordance with SEC requirements. Gemstar-TV Guide recently engaged a new independent accounting firm to audit its Consolidated Financial Statements. Additionally, Gemstar-TV Guide stated in its Annual Report on Form 10-K/A for the year ended December 31, 2001 (filed on November 15, 2002, the Gemstar 10-K/A) that it will be reviewing its accounting policies to ensure compliance with accounting principles generally accepted in the U.S. Specifically, Gemstar-TV Guide stated that it will be focusing on the accounting for licensing and advertising revenue including but not limited to, revenues from strategic customers and multi-platform advertisers. Gemstar-TV Guide has also stated in the Gemstar 10-K/A that it is likely that, as a result of such accounting firm s audit of its Unaudited Consolidated Financial Statements and Gemstar-TV Guide s ongoing review of its accounting policies and the application of the policies to various types of transactions, that Gemstar-TV Guide will further restate its Unaudited Consolidated Financial Statements for the year ended December 31, 2001. Gemstar-TV Guide further stated in the Gemstar 10-K/A that such restatements may be material to its Unaudited Consolidated Financial Statements. The effects of all restatements will be evaluated by News Corporation once Gemstar-TV Guide s accounting firm completes its audit of Gemstar-TV Guide s Unaudited Consolidated Financial Statements and Gemstar-TV Guide provides such restated financial statements to News Corporation. News Corporation intends to file Gemstar TV-Guide s audited financial statements, in an amendment to this Form 20-F, as soon as they become available. On October 17, 2002, the SEC issued to Gemstar TV-Guide a formal order of investigation to determine whether there have been violations of the federal securities laws.

Since June 30, 2002, there has been a further decline in the market capitalization of Gemstar-TV Guide. As a result, as of August 14, 2002, the Gemstar-TV Guide s share price was approximately US$ 3.34 per share. Management will continually evaluate whether a decline in fair value should be considered to be other-than-temporary, including consideration of the effects of the potential restatements and the other factors noted above.

(d) Other Items

Under A-GAAP, items that are considered significant by reason of their size, nature or effect on the Group s financial performance for the year are classified as Other revenues and expenses before tax while under US-GAAP classification of these items on the consolidated condensed statement of operations and other comprehensive income (loss) differs. Accordingly, under US-GAAP these items have been reclassified to operating income, interest expense and minority interest, as appropriate.

(e) Minority Interest in Subsidiaries

Under A-GAAP, minority interest in subsidiaries is included in stockholders equity on the consolidated statements of financial position. In contrast, under US-GAAP, minority interest is classified on the balance sheet outside of stockholders equity.

In November 1996, an indirect subsidiary of the Group issued exchangeable preferred securities which are included in Exchangeable preferred securities under A-GAAP. Also included in Exchangeable preferred securities was an obligation to

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 United States Generally Accepted Accounting Principles (continued)

issue redeemable preferred securities to MCI Communications Corporation at June 30, 2001. Under US-GAAP, both of these obligations are classified as Minority interest in subsidiaries. The MCI obligation was settled in February 2002.

The exchangeable preferred securities were issued with attached warrants exercisable into ordinary shares of BSkyB (the Warrants) or, at the option of TNCL, cash equal to the market value of such shares. As a result of an increase in the market price of BSkyB ordinary shares, the aggregate market value of the BSkyB shares potentially issuable under the outstanding Warrants exceeded their aggregate exercise price by approximately A$1,252 million at June 30, 2000. Under A-GAAP, no charge is recognized in the financial statements for this excess. Under US-GAAP, a charge is recorded against earnings for the excess amount. This excess was reflected as minority interest as of June 30, 2000. Upon the adoption of SFAS No. 133 as amended, Accounting for Derivative Instruments and Hedging Activities on July 1, 2000, the Group began recording the Warrants at their fair value on each balance sheet date (in the Accounts payable and other non current line) and any related changes to their fair value are recorded as a component of net income (loss).

(f) Refinancing Costs

Under A-GAAP, costs incurred in connection with the Group s issuance of certain indebtedness were charged to expense in the period in which they were incurred. Under US-GAAP, certain related costs are charged to expense with the remainder capitalized and amortized over the life of the related financing agreement.

(g) Derivatives

At the beginning of fiscal 2001, the Group adopted under US-GAAP, SFAS No. 133, Accounting for Derivate Instruments and Hedging Activities , which requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded on the balance sheet at fair value as either an asset or a liability. The statement also requires that changes in the fair value of recorded derivatives be recognized currently in earnings unless specific hedge accounting criteria are met. The Group s adoption of SFAS No. 133, under US-GAAP, resulted in a one-time, non-cash, after-tax charge of approximately US$64 million (A$115 million) as a cumulative effect of a change in accounting principle and a A$1,535 million increase to other income at June 30, 2001. Also see (e).

(h) Income Taxes

Under US-GAAP, the Group accounts for income taxes under SFAS No. 109, Accounting for Income Taxes. When the Group adopted SFAS No. 109, it increased the excess cost over net assets acquired and deferred tax liabilities to provide deferred taxes on basis differences on prior business combinations. This retroactive adjustment had no effect on US-GAAP net income reported in prior periods as the resulting increase in amortization expense (recorded over 40 years) is offset by a corresponding decrease in income tax expense. Under A-GAAP, deferred taxes are not provided for basis differences resulting from business combinations.

Deferred income taxes represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The Group s temporary differences primarily relate to the amortization of publishing rights, titles and television licenses, basis differences on business combinations and net operating loss carryforwards for income tax purposes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 United States Generally Accepted Accounting Principles (continued)

Significant components of the Group s deferred tax assets and liabilities were as follows:

	At June 30, (in millions) 2001	2002
Deferred tax assets:		
Net operating loss carry forwards	A$ 1,441	A$ 807
Sports contract writedown		408
Other	35	22
Total deferred tax assets	A$ 1,476	A$ 1,237
Deferred tax liabilities:		
Basis differences on business combinations	A$ 3,494	A$ 5,828
Accelerated amortization and depreciation	968	847
Total deferred tax liabilities	A$ 4,462	A$ 6,675
Net deferred tax liabilities before valuation allowance	(2,986)	(5,438)
Less: valuation allowance	(460)	(515)
Net deferred tax liabilities	A$ (3,446)	A$ (5,953)

Significant components of the Group s provisions for income taxes were as follows:

	Years Ended June 30, 2000	(in millions) 2001	2002
Current:			
Australia	A$ (76)	A$	A$ (50)
Foreign	(181)	(268)	(353)
Total current	A$ (257)	A$ (268)	A$ (403)
Deferred:			
Australia	A$ (77)	A$ (28)	A$ 44
Foreign	(439)	(221)	(213)
Total deferred	A$ (516)	A$ (249)	A$ (169)
	A$ (773)	A$ (517)	A$ (572)

The reconciliation of income tax attributable to continuing operations computed at the statutory rate to income tax expense is:

	Years Ended June 30,		
	2000	2001	2002
Tax at statutory rate	36%	34%	30%
Effect of foreign tax rates	1%	(126%)	(1)%
Capital profits (losses) not taxable (benefited)	3%	(162%)	(33)%
Reduction in current year income tax expense due to tax losses not recorded in prior years	%	(18%)	1%
Other permanent differences	6%	(3%)	(1)%
	46%	(275%)	(4)%

During fiscal 2002, the Group recorded significant non-recurring charges for which it did not recognize a tax benefit. A portion of those charges arose in jurisdictions outside of Australia. Undistributed earnings of the Group s foreign subsidiaries are considered to be indefinitely reinvested and, accordingly, no tax provision has been provided thereon.

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 United States Generally Accepted Accounting Principles (continued)

(i) Pension and Other Postretirement Disclosure

Pension Benefits

The Group s retirement benefit expense for defined benefit plans under A-GAAP is based on contributions payable to the retirement plans for the year, at rates determined by the actuary of the defined benefit plans. For US-GAAP, pension costs for defined benefit plans are to be recorded on an accrual basis in accordance with SFAS No. 87, rather than based on contributions payable to the retirement plan for the year.

The funded status of the Group s defined benefit pension plans summarized for overfunded and underfunded plans as well as the assumptions used to determine the projected benefit obligation and plan assets are set forth in Note 9.

The following table sets forth the change in benefit obligation for the Group s benefit plans:

	At June 30, (in millions)	
	2001	2002
Benefit obligation, beginning of year	A$ 1,487	A$ 1,850
Service cost	88	103
Interest cost	111	132
Benefits paid	(96)	(106)
Actuarial loss	84	35
Plan participants contributions	8	7
Curtailments		(23)
Acquisitions		133
Amendments, transfers and translations	168	5
Benefit obligation, end of year	A$ 1,850	A$ 2,136

The following table sets forth the change in fair value of plan assets for the Group s benefit plans:

	At June 30, (in millions)	
	2001	2002
Fair value of plan, beginning of year	A$ 1,761	A$ 1,914
Actual return on plan assets	(45)	(176)
Employer contributions	52	31
Benefits paid	(96)	(106)
Participants contributions	8	7
Acquisitions		87
Transfer and translations	234	(89)
Fair value of plan, end of year	A$ 1,914	A$ 1,668

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THE NEWS CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 United States Generally Accepted Accounting Principles (continued)

The components of net periodic pension costs were as follows:

	At June 30, (in millions)		
	2000	2001	2002
Service cost-benefits earned during the period	A$ 72	A$ 88	A$ 103
Interest cost on projected benefit of obligation	88	111	132
Expected return on plan assets	(127)	(160)	(152)
Other	(6)	(19)	
Net periodic pension cost	A$ 27	A$ 20	A$ 83

The following table provides a reconciliation of the funded status of the Company s pension plans to the net amount recorded on the consolidated balance sheets:

	At June 30, (in millions)	
	2001	2002
Funded status	A$ 65	A$ (468)
Unrecognized net loss	9	366
Unrecognized prior service cost	14	14
Unrecognized net transition obligation	(21)	(17)
Net pension asset (liability) recognized, end of the year	A$ 67	A$ (105)

Amounts recognized in the consolidated balance sheets include:

	At June 30, (in millions)	
	2001	2002
Prepaid pension assets	A$ 123	A$ 155
Accrued pension liabilities	(56)	(470)
Intangible assets		26
Other comprehensive income		184
Net pension asset (liability), end of the year	A$ 67	A$ (105)

Other Postretirement Benefits

Certain subsidiaries of the Group sponsor retiree health and life insurance benefit plans. These benefit plans offer medical and/or life insurance to certain full-time employees and eligible dependents that retire after fulfilling age and service requirements.