NEWS CORP LTD
Form 20-F/A
July 01, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(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, Surry Hills, 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

EXPLANATORY NOTE

This Form 20-F/A hereby amends Items 3, 5, 8, 11, 18 and 19 of the Registrant s Annual Report on Form 20-F for the fiscal year ended June 30, 2002, which was filed on December 30, 2002. This amendment includes editorial changes and expanded discussions of information included in the original report in response to disclosure recommendations of the Staff of the U.S. Securities and Exchange Commission made as part of a regular periodic review. This amendment also includes the amended and restated results for 2001 and 2002 of Gemstar-TV Guide International, Inc., which were not available at the time the original report was filed.

This Form 20-F/A does not reflect events occurring after the filing of the original Form 20-F (except for the auditor s report and the subsequent events described in Item 5 and in Note 24 of the Notes to the Consolidated Financial Statements of The News Corporation Limited and Subsidiaries) and does not modify or update the disclosure therein in any way other than as required to reflect the amendments discussed above and reflected below.

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.

	Fiscal Year Ended June 30, [1]				
	1998	1999	2000	2001	2002
Amounts in Accordance with US-GAAP					
Income statement data:					
Revenues	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 and extraordinary item	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	0.030
Dividends per preferred ordinary share	0.075	0.075	0.075	0.075	0.075
Dividends per ordinary share in US dollars	US$ 0.020	US$ 0.019	US$ 0.018	US$ 0.016	US$ 0.016
Dividends per preferred ordinary share in U.S. dollars	US$ 0.051	US$ 0.047	US$ 0.047	US$ 0.041	US$ 0.039
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
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)
Preferred limited voting ordinary shares	0.48	0.30	0.51	(0.21)	(2.60)
Dividends per ordinary share	0.030	0.030	0.030	0.030	0.030
Dividends per preferred ordinary share	0.075	0.075	0.075	0.075	0.075
Dividends per ordinary share in U.S. dollars	US$ 0.020	US$ 0.019	US$ 0.018	US$ 0.016	US$ 0.016
Dividends per preferred ordinary share in U.S. dollars	US$ 0.051	US$ 0.047	US$ 0.047	US$ 0.041	US$ 0.039
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.

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	0.6773
1999	0.6246
2000	0.6256
2001	0.5320
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.

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.

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 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.

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,			
	2002	2001	Change	% Change
	(in millions)			
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 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.

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 profit (loss) attributable to members of parent entity was a loss of A$11,962 million in fiscal 2002 as compared to a loss of A$746 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 *TheLegend 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 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. This decrease in revenues is due to lower advertising volume and rates from free-standing inserts and lower revenue from instant coupon machines. The operating income increase is due to cost

reductions in printing, paper, media and field expenses which 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. 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,			
	2002	**2001**	**Change**	**% Change**
		(in millions)		
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.

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,			
	2001	**2000**	**Change**	**% Change**
		(in millions)		
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)		