NEWS CORP LTD
Form 6-K
June 30, 2004

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of June 2004 (June 30, 2004)

THE NEWS CORPORATION LIMITED

(Name of Registrant)

2 Holt Street, Surry Hills, New South Wales, 2010, Australia

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F x **Form 40-F** ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): Yes ¨ No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): Yes ¨ No x

Indicate by check mark whether by furnishing the information contained in this Form the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934: Yes x No ¨

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not Applicable

This Report is incorporated by reference in the prospectus contained in Registration Statement Nos. 33-43799, 33-71446, 33-86358, 33-89584, 333-04962, 333-06324, 333-06896, 333-07466, 333-10338, 333-10624, 333-12878, 333-08246, 333-13556, 333-51434, 333-106837, 333-112405 and 333-112428 filed by the Registrant under the Securities Act of 1933.

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Annexed hereto are (i) The News Corporation Limited and Subsidiaries (News Corporation) Unaudited Consolidated Condensed Financial Statements for the six months ended December 31, 2003 and 2002 presented in conformity with accounting principles generally accepted in the United States (US-GAAP); (ii) the accompanying Selected Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations presented in conformity with US-GAAP; (iii) the Supplemental Condensed Combining Financial Statements of the guarantors of certain public indebtedness of News America Incorporated for the six months ended December 31, 2003 and 2002, and as of June 30, 2003, presented in accordance with both accounting principles generally accepted in Australia (A-GAAP) and US-GAAP (such Supplemental Condensed Combining Financial Statements of News Corporation should be read in conjunction with the Consolidated Financial Statements of News Corporation set forth in News Corporation s Annual Report on Form 20-F for the fiscal year ended June 30, 2003); and (iv) the Unaudited Consolidated Condensed Financial Statements of Fox Entertainment Group, Inc. (FEG) for the six months ended December 31, 2003 and 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE NEWS CORPORATION LIMITED

Date: June 30, 2004

By: /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

Unaudited Consolidated Condensed Statements of Operations

(in millions of Australian Dollars except per share amounts)

	For the six months ended December 31,	
	2003	2002
Revenues	A$ 14,880	A$ 15,228
Expenses:		
Operating expenses	10,016	10,388
Selling, general, and administrative	2,347	2,287
Depreciation and amortization	406	339
Operating income	2,111	2,214
Other income (expense):		
Equity earnings (losses) of affiliates	24	(917)
Interest expense, net	(386)	(485)
Gain on sale of subsidiary shares		295
Other, net	66	(154)
Income before minority interest in subsidiaries and income tax expense	1,815	953
Minority interest in subsidiaries	(151)	(191)
Income tax expense	(661)	(471)
Net income	A$ 1,003	A$ 291
Basic and diluted earnings per share:		
Ordinary shares	A$ 0.17	A$ 0.05
Preferred limited voting ordinary shares	A$ 0.20	A$ 0.06

The accompanying notes are an integral part of these consolidated condensed financial statements.

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The News Corporation Limited and Subsidiaries

Consolidated Condensed Balance Sheets

(in millions of Australian Dollars)

	At December 31, 2003 (unaudited)	At June 30, 2003 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	A$ 3,377	A$ 6,746
Cash on deposit	396	
Accounts receivable, net	6,189	5,701
Inventories, net	2,344	1,931
Other	660	510
Total current assets	12,966	14,888
Cash on deposit		698
Receivables	1,164	1,219
Investments	14,947	6,393
Inventories, net	928	1,124
Filmed entertainment costs, net	2,844	2,979
Property, plant, and equipment, net	5,546	6,166
Publishing rights, titles and television licenses, net	15,889	17,252
Goodwill, net	9,657	10,560
Other	1,225	1,355
Total non-current assets	52,200	47,746
TOTAL ASSETS	A$ 65,166	A$ 62,634
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Interest bearing liabilities	A$ 414	A$ 33
Payables and other	9,351	9,507
Total current liabilities	9,765	9,540
Non-current liabilities		
Interest bearing liabilities	13,643	14,491
Payables and other	9,424	10,100
Total non-current liabilities	23,067	24,591
Minority interest in subsidiaries	4,601	5,774
Shareholders equity	27,733	22,729

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	A$ 65,166	A$ 62,634

The accompanying notes are an integral part of these consolidated condensed financial statements.

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The News Corporation Limited and Subsidiaries

Unaudited Consolidated Condensed Statements of Cash Flows

(in millions of Australian Dollars)

	For the six months ended December 31,	
	2003	**2002**
Operating activities:		
Net income	A$ 1,003	A$ 291
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	406	339
Amortization of cable distribution investments	92	113
Equity (earnings) losses of affiliates, net of distributions	(9)	815
Minority interest in subsidiaries	151	244
Other, net	(66)	(87)
Changes in related balance sheet accounts, net of acquisition	(780)	(1,200)
Net cash provided by operating activities	797	515
Investing activities:		
Property, plant, and equipment	(184)	(327)
Acquisitions, net of cash acquired	(199)	(767)
Investments in equity affiliates	(4,297)	(633)
Other investments	(66)	(80)
Repayment of loan by an affiliate		170
Proceeds from sale of non-current assets	523	95
Net cash used in investing activities	(4,223)	(1,542)
Financing activities:		
Issuance of debt and exchangeable securities	485	
Repayment of debt and exchangeable securities	(647)	(1,953)
Cash on deposit	212	
Issuance of shares	759	2,167
Dividends paid	(131)	(133)
Leasing and other finance costs		(2)
Net cash provided by financing activities	678	79
Net decrease in cash and cash equivalents	(2,748)	(948)
Cash and cash equivalents, beginning of period	6,746	6,337
Exchange movement on opening cash balance	(621)	74
Cash and cash equivalents, end of period	A$ 3,377	A$ 5,463

The accompanying notes are an integral part of these consolidated condensed financial statements.

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The News Corporation Limited and Subsidiaries

Notes to the Unaudited Consolidated Condensed Financial Statements

Note 1 Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States (US-GAAP), which differs in certain significant respects from accounting principles generally accepted in Australia (A-GAAP). (See Note 11) For further information, refer to Notes 34 and 35 of the consolidated financial statements and footnotes thereto included in The News Corporation Limited s (the Group or News Corporation) annual report on Form 20-F for the year ended June 30, 2003. The consolidated financial statements included in News Corporation s annual report on Form 20-F for the year ended June 30, 2003 have been prepared in accordance with A-GAAP. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six months ended December 31, 2003 are not necessarily indicative of the results that may be expected for the year ending June 30, 2004.

Certain prior year amounts have been reclassified to conform to fiscal 2004 presentation.

Effective for the third quarter of fiscal 2003, the Group adopted Statement of Financial Accounting Standards (SFAS) No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123, which requires quarterly disclosure about the method of accounting for stock-based employee compensation and the effect on reported results. The Group follows the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation, and in accordance with its provisions, applies the intrinsic value method set forth in Accounting Principles Board Opinion (APB) No. 25 Accounting for Stock Issued to Employees.

The following table reflects the effect on net income and earnings per share as if the Group had applied the fair value recognition provisions for stock-based employee compensation. These pro forma effects may not be representative of future amounts since the estimated fair value of stock options on the date of grant is amortized to expense over the vesting period and additional options may be granted in future years.

	For the six months ended December 31,	
	2003	**2002**
	(in millions except per share data)	
Net income, as reported	A$ 1,003	A$ 291
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(66)	(76)
Pro forma net income	A$ 937	A$ 215
Basic and diluted earnings per share:		
As reported		
Ordinary	A$ 0.17	A$ 0.05

Preferred limited voting ordinary shares	A$ 0.20	A$ 0.06
Pro forma		
Ordinary	A$ 0.15	A$ 0.03
Preferred limited voting ordinary shares	A$ 0.18	A$ 0.04

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Note 1 Basis of Presentation -continued

In accordance with SFAS No. 130, Reporting Comprehensive Income, total comprehensive income (loss) for the Group consists of the following:

	For the six months ended December 31,	
	2003	2002
	(in millions)	
Net income, as reported	A$ 1,003	A$ 291
Other comprehensive income:		
Foreign currency translation adjustments	(1,369)	329
Unrealized holding gains (losses) on securities, net of tax	4	(63)
Minimum pension liability adjustment	15	
Total comprehensive (loss) income	A$ (347)	A$ 557

Accumulated other comprehensive loss at December 31, 2003 was A$2.5 billion. This consisted of cumulative foreign currency translation adjustments of A$2.3 billion, unrealized holding gains on investments available for sale, net of tax, of A$93 million, and a minimum pension liability adjustment, net of tax of A$362 million. Accumulated other comprehensive loss at June 30, 2003 was A$1.2 billion. This consisted of cumulative foreign currency translation adjustments of A$909 million, unrealized holding gains on investments available for sale, net of tax, of A$89 million, and a minimum pension liability adjustment of A$377 million.

Note 2- Filmed Entertainment and Television Programming Costs, net

Filmed entertainment and television programming costs, net consisted of the following as of:

	December 31, 2003	June 30, 2003
	(in millions)	
Filmed entertainment costs:		
Films:		
Released	A$ 990	A$ 1,104
Completed, not released	28	47
In production	830	909
In development or preproduction	116	78
	A$ 1,964	A$ 2,138

Television productions:		
Released	A$ 581	A$ 725
In production	299	116
	880	841
Total filmed entertainment costs, less accumulated amortization	A$ 2,844	A$ 2,979
Television programming costs, less accumulated amortization	2,804	2,605
Other inventories	468	450
Total inventories, net	6,116	6,034
Less current inventories	2,344	1,931
Non-current inventories	A$ 3,772	A$ 4,103

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Notes to the Unaudited Consolidated Condensed Financial Statements

Note 3 Interest Bearing Liabilities

New Millennium II

Considering the competitive environment and costs associated with film production, film studios, including the Group, constantly evaluate the risks and rewards of film 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. Historically, the Group has funded its film production by borrowing under a commercial paper facility (the Facility) but is presently funding film production through operating cash flows or through borrowings from News Corporation.

During fiscal 2002 and 2003, the Group was party to a series of film rights agreements whereby a controlled consolidated subsidiary of the Group funded the production or acquisition costs of all eligible films, as defined, to be produced or acquired by Twentieth Century Fox Film Corporation, a subsidiary of the Group, (these film rights agreements, as amended, are collectively referred to as the New Millennium II Agreement). Under the New Millennium II Agreement, a preferred limited liability membership interest (Preferred Interest) was issued to a third party to fund the film financing, which was presented on the consolidated balance sheets as Minority interest in subsidiaries, and the corresponding return on the Preferred Interests (the Preferred Payments) were presented as an expense in Minority interest in subsidiaries on the consolidated statements of operations.

During fiscal 2004, the Group purchased substantially all of the outstanding equity of Tintagel Investors L.L.C. (Tintagel), the entity that held the Preferred Interest discussed above for A$38.3 million (US$25.5 million) plus accrued and unpaid Preferred Payments in the amount of approximately A$159,109 (US$106,000). As a result of the acquisition of this equity interest, the Group consolidated the assets and liabilities of Tintagel for accounting purposes and all Preferred Interests and Preferred Payments have been eliminated. Tintagel s outstanding indebtedness of A$1,079 million (US$798 million) at December 31, 2003 is included in Interest bearing liabilities on the consolidated balance sheet and the corresponding interest was included in Interest expense, net in the consolidated statement of operations. As of June 30, 2003, there was A$1,148 million (US$762 million) of Preferred Interests outstanding, which was presented on the consolidated balance sheets as Minority interest in subsidiaries. Tintagel continues to be a separate legal entity from the Group with separate assets and liabilities. For the six months ended December 31, 2003 and 2002, the Group borrowed A$457 million (US$338 million) and A$409 million (US$230 million), respectively, and repaid A$373 million (US$276 million) and A$585 million (US$329 million), respectively, under the Facility.

In May 2004, the Group terminated the New Millennium II Agreement and will no longer draw any borrowings under the Facility. In accordance with the terms of the termination, the Group will retire A$898 million (US$627 million) of the Facility in 2005 and A$46 million (US$32 million) in 2006.

News Outdoor Russia

During the six months ended December 31, 2003, News Outdoor Russia, a subsidiary of the Group, entered into a loan agreement with The European Bank For Reconstruction and Development in the amount of A$38 million (US$28 million). The loan bears interest at 3-month LIBOR plus 5%, which is to be paid in quarterly installments over a five-year period ending in December 2008. The loan is secured by certain bank accounts and share pledges of the Group s Russian operating subsidiaries and this facility has been fully utilized (see Note 16).

Note 4 -FIN 46

Effective July 1, 2003, the Group adopted Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 as revised in December 2003 (FIN 46R). FIN 46R requires an investor to consolidate a variable interest entity if it is determined that the investor is a primary beneficiary of that entity, subject to the criteria set forth in the interpretation. Assets, liabilities, and non controlling interests of newly consolidated variable interest entities are initially measured at fair value. After initial measurement, the consolidated variable interest entity will be accounted for under the guidance provided by Accounting Research Bulletin No. 51, Consolidated Financials Statements.

The adoption of FIN 46R required the Group to deconsolidate certain trust subsidiaries considered to be special purpose entities. As a result of this deconsolidation, the Group reclassified (i) A$1,941 million (US$1,436 million) as of December 31, 2003 and A$2,096 million (US$1,391 million) as of June 30, 2003 in exchangeable securities related to the Beneficial Unsecured Exchangeable Securities (BUCS) and Trust Originated Preferred Securities (TOPrS) issuances to non-current interest bearing liabilities on the consolidated condensed balance sheets and (ii) A$57 million (US$39 million) and A$51 million (US$28 million) for the periods ending December 31, 2003 and 2002 respectively, from Minority interest expense to Interest expense, net on the unaudited

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The News Corporation Limited and Subsidiaries

Notes to the Unaudited Consolidated Condensed Financial Statements

Note 4- FIN 46-continued

consolidated condensed statements of operations with no resulting net material effect on the Group s net income. The Group is required to adopt the provisions of FIN 46R related to all other types of entities for the period ending after March 31, 2004, but does not anticipate the impact of the adoption to be material.

Note 5-Hughes Transaction

On December 22, 2003, the Group acquired a 34% interest in Hughes Electronics Corporation (Hughes) for total consideration of approximately A$9.3 billion (US$6.8 billion). General Motors Corporation (GM) sold its 19.8 % interest in Hughes to the Group in exchange for approximately A$4.2 billion (US$3.1 billion), in cash, and 28.6 million American Depositary Shares, each representing four News Corporation preferred limited voting ordinary shares (News Corporation Preferred ADSs), valued at approximately A$1,110 million (US$800 million). The Group acquired 14.2% of Hughes from the former GM Class H common stockholders in exchange for approximately 102.1 million News Corporation Preferred ADSs valued at A$4.0 billion (US$2.9 billion). Immediately following the acquisition, the Group transferred its entire 34% interest in Hughes to Fox Entertainment Group, Inc. (FEG) in exchange for two promissory notes totaling A$6.1 billion (US$4.5 billion) and approximately 74.5 million shares of FEG s Class A common stock valued at A$3.1 billion (US$2.3 billion) (the Exchange). One of the promissory notes FEG issued to the Group is in the amount of A$2.7 billion (US$2 billion), bears interest at a rate of LIBOR plus 1% per annum, and matures on June 30, 2009. The other promissory note FEG issued to the Group is in the amount of A$3.4 billion (US$2.5 billion), bears interest at 8% per annum, and has a maturity date of June 30, 2009, which can be extended at FEG s option for not more than two successive one-year periods. The issuance of approximately 74.5 million shares of FEG s Class A common stock to the Group increased its equity interest in FEG from approximately 80.6% to approximately 82% while its voting power remained at approximately 97%. FEG is accounting for its interest in Hughes in accordance with APB No. 18, The Equity Method of Accounting for Investments in Common Stock.

Subsequent to the above transaction, Hughes changed its corporate name to The DIRECTV Group, Inc. (DTV).

The increase to Investments in equity affiliates reflects the Group s investment in DTV and includes the excess of fair value over the Group s proportionate share of DTV s underlying net assets as of December 22, 2003 as adjusted to record such net assets at fair value, most notably the adjustment to the carrying value of DTV s PanAmSat business and assets and its deferred subscriber acquisition costs. This excess is being preliminarily allocated to both finite-lived intangibles, which are being amortized, and to certain indefinite-lived intangibles and goodwill, which are not being amortized in accordance with SFAS No. 142, Goodwill and Other Intangible Assets. The allocation of the excess is not final and is subject to changes upon completion of final valuations of certain assets and liabilities. A future reduction in goodwill for additional value to be assigned to identifiable finite-lived intangible assets or tangible assets could reduce future equity earnings recognized by the Group resulting from additional amortization. For every A$135 million (US$100 million) reduction in goodwill for additional value to be assigned to identifiable finite-lived intangible assets or tangible assets, Equity earnings (losses) of affiliates would decrease by approximately A$14 million (US$10 million), per year representing amortization expense assuming an average useful life of 10 years.

Note 6 Other Significant Transactions

WPWR-TV

In August 2002, the Group acquired WPWR-TV in the Chicago designated market area (DMA) from Newsweb Corporation for A$754 million (US$425 million). This transaction has been treated as a purchase in accordance with SFAS Nos. 141, Business Combinations, and SFAS No. 142.

Telepiu (SKY Italia)

In April 2003, the Group acquired a controlling interest in Stream S.p.A. (Stream), which concurrently acquired all of the outstanding stock of Telepiu S.p.A. (Telepiu), a majority-owned subsidiary of Vivendi Universal and Stream s only direct competitor in the Direct Broadcast Satellite Television business in Italy. The aggregate consideration paid for Telepiu consisted of A$711 million (438 million) in cash and the assumption of A$602 million (350 million) in indebtedness. The excess purchase price over the fair value of the net assets acquired of A$1,222 million is reported within publishing rights, titles, television licenses, and goodwill.

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The News Corporation Limited and Subsidiaries

Notes to the Unaudited Consolidated Condensed Financial Statements

Note 6 Other Significant Transactions - continued

Telepiu has been merged with Stream, and the combined platform has been renamed SKY Italia, which is owned 80.1% by the Group and 19.9% by Telecom Italia S.p.A. The results of SKY Italia have been included in the Group s consolidated statements of operations from April 30, 2003, the date of acquisition. As a result of the acquisition, commencing April 30, 2003, the Group ceased to equity account its share of Stream s results.

The Group assumed A$602 million (350 million) in indebtedness in connection with the Telepiu acquisition (the Telepiu Indebtedness). The Telepiu Indebtedness permitted the holders to require the Group to repurchase the Telepiu Indebtedness during a 90-day period following the acquisition. As a result, in August 2003, 36% of the Telepiu Indebtedness was retired by the Group in accordance with the repurchase provision. As of December 31, 2003 A$375 million (US$277 million) of the Telepiu Indebtedness was outstanding.

In connection with the acquisition of Telepiu and the consolidation of SKY Italia, the Group classified Prima S.p.A. and Europa S.p.A, wholly owned subsidiaries of SKY Italia, as assets held for sale. In December 2003, SKY Italia sold Prima S.p.A. and Europa S.p.A., for total consideration of A$151 million (90 million). These assets were sold at fair value, therefore there was no gain or loss recognized on the sale.

Liberty Media Corporation

In March 2003, the Group and Liberty Media Corporation (Liberty) entered into an agreement under which Liberty had the right, prior to September 28, 2003, to purchase A$720 million (US$500 million) of News Corporation Preferred ADSs, at A$30.96 (US$ 21.50) per ADS. In October 2003, Liberty exercised their right and purchased A$720 million (US$500 million) of News Corporation s Preferred ADSs at A$30.96 (US$21.50) per ADS and the proceeds received were used to partially fund the acquisition of DTV. As a result of the above transaction, Liberty s ownership in the Group increased from approximately 18% to approximately 19%.

SKY PerfecTV!

In August 2003, the Group sold its entire 8.14% cost investment in Sky Perfect Communications Inc. (SKY PerfecTV!). The Group s 182,000 shares of SKY PerfecTV! were sold for total consideration of A$273 million (¥20.8 billion). The Group recognized a gain of approximately A$153 million on the sale, which is reflected in Other, net in the accompanying unaudited consolidated condensed statements of operations for the six months ended December 31, 2003.

Regional Sports Network

In December 2003, Fox Sports Net, Inc. (Fox Sports Net), a subsidiary of FEG, sold its 50% direct ownership interests in SportsChannel Chicago Associates (SportsChannel Chicago) and SportsChannel Pacific Associates (SportsChannel Bay Area) (collectively the SportsChannels) to subsidiaries of Regional Programming Partners (RPP) for consideration of A$219 million (US$150 million). This consideration was paid in the form of two three-year promissory notes issued by the subsidiaries of RPP, which own only the acquired interests in the SportsChannels, in an aggregate principal amount of A$219 million (US$150 million) and bearing interest at prime plus 1% per annum. The notes are secured by a pledge of 100% of the interests in SportsChannel Bay Area. Upon the close of this sale, the SportsChannels are held 100% by RPP and indirectly 60% by Rainbow Media Sports Holdings, Inc. and 40% by Fox Sports Net. The Group recognized a net gain on the sale of the SportsChannels of A$13 million (US$9 million), which is reflected in Other, net in the accompanying unaudited consolidated condensed statements of operations for the six months ended December 31, 2003.

MediaHighway

In December 2003, NDS Group plc, a subsidiary of the Group, acquired 100% of the MediaHighway middleware business from a subsidiary of Thomson SA and licensed certain related patents from Thomson SA for a total consideration of A$99 million (60 million) in cash.

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The News Corporation Limited and Subsidiaries

Notes to the Unaudited Consolidated Condensed Financial Statements

Note 7- Other Postretirement Benefit Amendments

During the six months ended December 31, 2003, the Group amended certain plan provisions related to its medical postretirement benefits provided to certain employees in the United States to implement cost controls in response to rising medical and prescription drug claim costs. The Group increased participant contributions and prescription co-payments for retirees under the plan effective January 1, 2004. In addition, effective July 1, 2004, the Group will increase the required years of service to be eligible for postretirement benefits. The amendment did not have a material impact on the financial condition and results of operations of the Group for the six months ended December 31, 2003, but did reduce the Group s Accumulated Postretirement Benefit Obligation (APBO) by approximately A$66 million (US$45 million). The impact of these plan changes and the amortization of the A$66 million (US$45 million) reduction in APBO will reduce our future net postretirement benefit cost. (See Note 15).

Note 8- Impairments

For the six months ended December 31, 2002, Gemstar TV Guide International, Inc. (Gemstar-TV Guide) experienced continued 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 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 time and the extent to which the market value has been less than the carrying value of the Group s investment; and (v) the Group 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, at December 31, 2002, the Group recorded a A$401 million (US$222 million) charge to reduce the carrying value of the investment in Gemstar-TV Guide to A$6.66 (US$3.75) per share to reflect an other-than-temporary decline in value. This charge has been included in Equity earnings (losses) of affiliates in the accompanying unaudited consolidated condensed statement of operations. At December 31, 2003, the quoted value of Gemstar-TV Guide was A$6.85 (US$5.07) per share.

Note 9 Gain on Sale of Subsidiary Shares

FEG

In November 2002, FEG sold 50 million shares of its Class A common stock in a public offering. The net proceeds received by FEG were approximately A$2.1 billion (US$1.2 billion) and were used to repay intercompany indebtedness to the Group and its affiliates. This offering reduced the Group s equity ownership and voting percentage in FEG from 85.32% and 97.84% to 80.58% and 97%, respectively, and increased minority interest in subsidiaries. In accordance with Staff Accounting Bulletin (SAB) No. 51 Accounting for Sales of Stock by a Subsidiary, the Group recognized a gain of approximately A$129 million (US$72 million) in connection with this transaction in Gain on sale of subsidiary shares in the accompanying unaudited consolidated condensed statements of operations for the six months ended December 31, 2002. This gain was limited because the Group s ownership interest in FEG increased since the time of FEG s initial public offering in fiscal year 1999.

BSkyB

In November 2002, British Sky Broadcasting Group plc (BSkyB) issued 43.2 million new shares as consideration related to its purchase of an interest in British Interactive Broadcasting Holdings Limited. In accordance with SAB No. 51, the Group recognized a gain of approximately A$166 million in connection with this transaction in Gain on sale of subsidiary shares in the accompanying unaudited consolidated condensed statements of operations for the six months ended December 31, 2002. As a result of this transaction, the Group s ownership in BSkyB was diluted to 35.4%.

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The News Corporation Limited and Subsidiaries

Notes to the Unaudited Consolidated Condensed Financial Statements

Note 10 - Other, net

Other, net consisted of the following:

	For the six months ended December 31,	
	2003	2002
	(in millions)	
Gain on sale of SkyPerfecTV!	A$ 153	A$
Disposal and write down of other non-current assets	4	(52)
World Trade Center insurance settlement	38	
Change in fair value of exchangeable securities	(129)	(100)
Other		(2)
Total Other, net	A$ 66	A$ (154)

Note 11 A-GAAP Reconciliation to US-GAAP

The interim A-GAAP Reconciliation to US-GAAP should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Group s Form 20-F for the fiscal year ended June 30, 2003. The application of US-GAAP has the following approximate effect on the consolidated net income (loss) and shareholders equity reported in accordance with A-GAAP:

	For the six months ended December 31,	
	2003	2002
	(in millions)	
Net income as reported in the unaudited consolidated condensed statements of financial performance under A-GAAP	A$ 1,145	A$ 725
Items increasing (decreasing) reported consolidated net income:		
Amortization of cable distribution investments	(92)	(113)
Amortization of goodwill	31	38
Gain (loss) on sale/disposal of non-current assets, net	150	(268)
Adjustment of writedown of investment in Gemstar-TV Guide related to basis difference (a)		106

Equity earnings (losses) of affiliates	(69)	(108)
Change in carrying value of exchangeable securities, warrants, exchange feature of BUCS and other derivatives	(129)	(99)
Income tax (expense) benefit relating to US-GAAP adjustments	(54)	7
Minority interest relating to US-GAAP adjustments	3	19
Other	18	(16)
Net decrease in reported income	(142)	(434)
Net income in accordance with US-GAAP	A$ 1,003	A$ 291

(a) The writedown of the Group s investment in Gemstar-TV Guide is included in Equity earnings (losses) of affiliates in the accompanying unaudited consolidated condensed statements of operations, for the six months ended December 31, 2002.

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Notes to the Unaudited Consolidated Condensed Financial Statements

Note 11 A-GAAP Reconciliation to US-GAAP continued

	At December 31, 2003	At June 30, 2003
	(in millions)	
Shareholders equity as reported in the unaudited consolidated condensed statements of financial position under A-GAAP	A$ 41,755	A$ 38,721
Items increasing (decreasing) reported shareholders equity:		
Publishing rights, titles and television licenses:		
Revaluation and other	(11,824)	(12,914)
Amortization	(2,280)	(2,558)
Excess of cost over net assets acquired:		
Effects of adopting SFAS No. 109 and other deferred taxes	9,812	10,463
Amortization	(484)	(280)
Accounts payable and other - non current liabilities:		
Effects of adopting SFAS No. 109 and other deferred taxes	(3,952)	(4,309)
Effects of adopting SFAS No. 133 and other	(864)	(548)
Investments:		
Unrealized gains on certain investments available for sale	73	118
Associated companies reserve	(313)	(446)
Minority interest in subsidiaries	(4,600)	(5,785)
Other	410	267
Net decrease in reported shareholders equity	(14,022)	(15,992)
Shareholders equity in accordance with US-GAAP	A$ 27,733	A$ 22,729

Note 12 Guarantees

The Group guarantees amounts outstanding under certain credit agreements for several of the Group s equity affiliates. These guarantees relate to sports facilities in Los Angeles, CA and are limited to the Group s proportionate ownership or 40% equity interests in those businesses. The terms of the guarantees extend through March 2007. The Group s maximum obligation under the guarantees is approximately A$69 million (US$51 million). The Group would be liable under these guarantees in the event of default by its equity affiliates (See Note 16).

The Group has guaranteed various transponder leases for certain associated companies operating in Latin America. The aggregate of these guarantees is approximately A$455 million and extends to 2019. The Group would be liable under this guarantee in the event of default by its equity affiliates.

The Group has guaranteed a bank loan facility of A$77 million for Star Channel Japan. The facility covers a term loan of A$36 million (¥2.8 billion) which matures in September 2005 and an agreement for overdraft of A$41 million (¥3.2 billion). The Group would be liable under this guarantee in the event of default by Star Channel Japan.

The Group has guaranteed a property lease for Fox Studios Australia. The aggregate value of this guarantee is approximately A$165 million as of December 31, 2003, which extends through April 2036. The Group would be liable under this guarantee in the event of default by Fox Studios Australia. The Group has the right to be indemnified for up to 50% of any amount paid under this guarantee.

The Group guaranteed sports rights agreements for SportsChannel Chicago. SportsChannel Chicago has been notified by the team owners of the termination, effective September 30, 2004, of these sports rights agreements and as a result, as of December 31, 2003, the remaining guarantee has been reduced to approximately A$43 million (US$32 million) and will expire on September 30, 2004.

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Note 13 Contingencies

NDS

In September 2002, NDS Group plc and two of its subsidiaries (collectively, NDS) 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. At DIRECTV s request, the action was filed under seal. On October 21, 2002, NDS filed counterclaims against DIRECTV and a chip manufacturer. In late April 2003, the parties agreed to stay proceedings pending efforts to resolve the disputes through mediation. In August 2003, the parties agreed to stay the litigation between them until the closing of the Group s acquisition of a 34% interest in Hughes, the parent company of DIRECTV. The closing of the acquisition of the Hughes interest occurred on December 22, 2003, and on December 30, 2003 the litigation and all claims and counterclaims alleged therein were dismissed with prejudice.

On October 2, 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 claims made in early 2002 by Canal+ Technologies SA (these claims having been dismissed) and the EchoStar claims referred to below. NDS is cooperating with the investigation. NDS was advised by the U.S. Attorney s Office in San Diego that it is not currently considered either a target or a subject in the investigation. Lead responsibility for the investigation has been transferred to the U.S. Attorney s Office for the Central District of California. On February 3, 2004, the U.S. Attorney s office notified NDS that it had completed its investigation and concluded that, based on information and evidence gathered, the claims against NDS did not warrant further investigation or action.

On June 6, 2003, Echostar Communications Corporation, Echostar Satellite Corporation, Echostar Technologies Corporation and Nagrastar L.L.C. (collectively, Echostar) filed an action against NDS in the United States District Court for the Central District of California. Echostar filed an amended complaint on October 8, 2003. The amended complaint purported to allege claims for violation of the Digital Millennium Copyright Act (DMCA), the Communications Act of 1934 (CA), the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, California s Unfair Competition statute and the federal RICO statute. The complaint also purported to allege claims for civil conspiracy, misappropriation of trade secrets and interference with prospective business advantage. The complaint sought injunctive relief, compensatory and exemplary damages and restitution. On December 22, 2003, all of the claims were dismissed by the court, except for the DMCA, CA and unfair competition claims, and the Court limited these claims to acts allegedly occurring within three years of the filing of the complaint. EchoStar filed a second amended complaint. NDS intends vigorously to defend the action and filed a motion to dismiss the second amended complaint on March 31, 2004, which is scheduled to be heard on July 23, 2004.

On July 25, 2003, Sogecable, S.A. and its subsidiary Canalsatellite Digital, S.L., Spanish satellite broadcasters and customers of Canal+ Technologies SA (together, Sogecable), filed an action against NDS in the United States District Court for the Central District of California. Sogecable filed an amended complaint on October 9, 2003. The amended complaint purported to allege claims for violation of the DMCA and the federal RICO statute. The amended complaint also purported to allege claims for interference with contract and prospective business advantage. The complaint sought injunctive relief, compensatory and exemplary damages and restitution. On December 22, 2003, all of the claims were dismissed by the court. Sogecable filed a second amended complaint. NDS intends vigorously to defend the action and filed a motion to dismiss the second amended complaint on March 31, 2004, which is scheduled to be heard on July 23, 2004.

PanAmSat International Systems

In June 2003, an arbitration award was issued in favor of PanAmSat International Systems (PanAmSat) against the Group. The arbitration involved a dispute regarding the termination provisions of an agreement to provide satellite transponder capacity over India. The Group disagreed with the findings of fact and the conclusions of law reached by the arbitrator and, pursuant to the terms of the arbitration agreement between the parties, intended to appeal the award.

In January 2004, the Group and PanAmSat entered into a Confidential Settlement Agreement and Releases (the Agreement). The Agreement settled the dispute regarding satellite transponder capacity over India and did not have a material impact on the Group s consolidated financial performance, cash flows or financial position.

Hughes Transaction

The Group was named as a defendant in a Revised Amended Consolidated Complaint file on May 7, 2004 in a lawsuit captioned In re General Motors (Hughes) Shareholders Litigation, filed in the Court of Chancery of the State of Delaware, Consolidated Civil Action No. 20269-NC. The lawsuit relates to the Group s acquisition of stock in DTV, formerly known as Hughes, on December 22, 2003. The complaint alleges that the Group aided and abetted an alleged breach of fiduciary duty by the Board of Directors of GM

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Notes to the Unaudited Consolidated Condensed Financial Statements

Note 13 Contingencies-continued

allegedly owed to a class of certain GM shareholders. The Plaintiffs allegedly seek appropriate equitable relief including recissory remedies to the extent feasible . The Group believes that the lawsuit is without merit and intends to vigorously defend against claims brought against the Group in the lawsuit. The Group also believes it is entitled to indemnification by GM under the agreements related to the transaction.

Other

Various claims arise in the ordinary course of business against controlled entities. The amount of the liability (if any) at December 31, 2003 cannot be ascertained, but the Group believes that any resulting liability would not materially affect the financial position of the Group.

Note 14 Earnings Per Share

Earnings Per Share (EPS) is computed individually for the ordinary shares and preferred limited voting ordinary shares. Net income (loss) is apportioned to both ordinary shareholders and preferred limited voting ordinary shareholders on the ratio of 1 to 1.2, respectively, in accordance with the rights of the shareholders as described in News Corporation s Constitution. In order to give effect to this apportionment when determining EPS, the weighted average preferred limited voting ordinary share is increased by 20% (the Adjusted Preferred) and is then compared to the sum of the weighted average ordinary shares and the weighted average Adjusted Preferred. The resulting percentage is then applied to the Net income (loss) to determine the apportionment for the preferred limited voting ordinary shareholder with the balance attributable to the ordinary shareholder.

EPS have been presented in the two class presentation, as the preferred shares participate in dividends with the common shares. Prior year amounts have been restated to conform with the two class presentation. Rounding differences may occur in the presentation below.

The following table sets forth the computation of basic and diluted earnings per share:

	For the six months ended December 31,	
	2003	**2002**
	(in millions)	

Net income	A$ 1,003	A$ 291
Perpetual preference dividends	(20)	(25)
Net income available to shareholders-basic	A$ 983	A$ 266
Interest on convertible debt	22	25
Net income available to shareholders-diluted	A$ 1,005	A$ 291

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Note 14 Earnings Per Share- continued

	2003			2002		
	Ordinary	**Preferred**	**Total**	**Ordinary**	**Preferred**	**Total**
	(in millions except % and per share data)					
Allocation of Income:						
Allocation percent - basic	34%	66%	100%	34%	66%	100%
Allocation of income - basic	A$ 331	A$ 652	A$ 983	A$ 90	A$ 176	A$ 266
Allocation percent - diluted	33%	67%	100%	34%	66%	100%
Allocation of income - diluted	A$ 331	A$ 674	A$ 1,005	A$ 98	A$ 194	A$ 291
Weighted average shares-basic	1,965	3,225	5,190	1,963	3,149	5,112
Weighted average shares-diluted	1,965	3,335	5,300	1,963	3,247	5,210
Net income available to shareholders - basic	A$ 0.17	A$ 0.20		A$ 0.05	A$ 0.06	
Net income available to shareholders - diluted	A$ 0.17	A$ 0.20		A$ 0.05	A$ 0.06	

Note 15 Recently Issued Accounting Pronouncements

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 amends SFAS No. 6, Elements of Financial Statements, to improve accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in the statement of financial position. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 in July 2003 had no material impact on the consolidated condensed balance sheets and statements of operations of the Group. The FASB is addressing certain implementation issues associated with the application of SFAS No. 150. On October 29, 2003, the FASB decided to defer certain provisions of SFAS No. 150 related to non-controlling interests in subsidiaries included in consolidated financial statements. The Group will monitor the actions of the FASB and assess the impact, if any, that these actions may have on its financial statements.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), Employer s Disclosures about Pensions and Other Postretirement Benefits, which requires expanded financial statement disclosures for defined benefit plans. The interim disclosure requirements of SFAS No. 132 are effective for interim periods beginning after December 15, 2003. The Group will provide the additional required disclosures in its annual report on Form 20-F for the year ending June 30, 2004.

In May 2004, the FASB issued FASB Staff Position (FSP) 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Under FSP 106-2, employers that sponsor a postretirement health care plan which qualifies for a prescription-drug subsidy under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act), enacted in December 2003, must recognize the reduction in costs as employees provide services in future years. If the Group concludes at the date it adopts FSP 106-2 that its plan was actuarially equivalent at and that the Act s effects are a significant event (as defined in SFAS No. 106), the Group will account for the Act s effects prospectively from the date of adoption. The Group is evaluating the impact of FSP 106-2 and will adopt the FSP in the first quarter of fiscal 2005. As a result, the Group s APBO and net periodic postretirement benefit cost do not reflect any amount associated with the subsidy because the Group is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the Act.

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Note 16 Subsequent Events

Los Angeles Dodgers

On February 13, 2004, the Group sold the Los Angeles Dodgers (Dodgers), together with Dodger Stadium and the team s training facilities in Vero Beach, Florida and the Dominican Republic, to entities owned by Frank McCourt (the McCourt Entities). The gross consideration for the sale of the Dodgers franchise and real estate assets was A$616 million (US$421 million), subject to further adjustment. The consideration at closing was comprised of (i) A$329 million (US$225 million) in cash, (ii) a A$183 million (US$125 million) two-year note secured by non-team real estate, (iii) a A$59 million (US$40 million) four-year note secured by bank letters of credit and (iv) a A$45 million (US$31 million) three-year note that is convertible, at the Group s option, into preferred equity in the McCourt Entities if unpaid at maturity. The Group has agreed to remit A$73 million (US$50 million) during the first two years following the closing of the transaction to reimburse the McCourt Entities for certain pre-existing commitments. Pending the final determination of contractual adjustments, the sale has resulted in an estimated loss of A$23 million (US$16 million), which was recorded in Other, net in the accompanying unaudited consolidated condensed statement of operations for the six months ended December 31, 2003.

Reincorporation in the United States

In April 2004, the Group announced that it would pursue a reorganization that would change the Group s place of incorporation from Australia to the United States.

The proposed reorganization will be accomplished under Australian law whereby existing holders of the Group s ordinary and preferred shares, including those ordinary shares and preferred shares represented by ADSs, will exchange their shares for shares of voting and non-voting common stock in a newly formed Delaware corporation called News Corporation (New News) that will become the new parent company. The voting and non-voting common stock of New News will have substantially similar rights as the Group s existing ordinary and preferred shares. The exchange is expected to be tax-free for the vast majority of the Group s shareholders.

In connection with this reorganization, the Group would acquire the remaining 58% interest in Queensland Press Pty Ltd (&