

DATED: 22 October 2004

KARLHOLT PTY LIMITED
ACN 008 483 261

PROSPECTUS

LISTING SPONSOR
REID SERVICES LIMITED

CO-SPONSOR
LOM CAPITAL LIMITED

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This prospectus includes particulars given in compliance with the Listing Regulations of the Bermuda Stock Exchange. The directors collectively and individually accept full responsibility for the accuracy of the information contained in the prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

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SECTION 1. GLOSSARY

In this Prospectus the defined terms shall have the same meaning as set out below.

AE Harris Trust	means the trust established by Albert Edward Harris pursuant to the AE Harris Trust Deed dated 27 August 1970, as amended.
ASX	means Australian Stock Exchange Limited (ABN 98 008 624 691) or Australian Stock Exchange, as the case requires.
AUD	means Australian Dollars being the currency of the country of Australia.
Board	means the board of Directors of News Corporation unless the context indicates otherwise.
Business Day	means a day on which trading banks are open for business in Sydney, Australia, but does not include a Saturday, Sunday or any public holiday in Sydney.
BSX	means Bermuda Stock Exchange.
Call Option Deeds	means the CISEA Call Option Deed and the KSEA Call Option Deed.
Capital Reduction	means the capital reduction, required by section 256C of the Corporations Act, in order to cancel all of the shares in News Corporation (other than the 100 redeemable ordinary shares held by News Corp US), which forms part of the Reorganisation.
Carlholt	means Carlholt Pty Ltd (ABN 32 105 197 028).
Carlholt Contribution Agreement	means the agreement so entitled, to be entered into on the same date as the Kayarem Share Exchange Agreement, between News Corp US and Carlholt by which the shares in Karlholt are to be transferred from News Corp US to Carlholt immediately following completion of the Kayarem Share Exchange Agreement, as amended.
CISEA Call Option Deed	means the deed between News Corp US, Carlholt, News Corporation, Actraint No 119 Pty Limited (in its capacity as trustee of the Settlement Trusts and the Remaining Trust) and Mr K R Murdoch (in his capacity as trustee of the Settlement Trusts and the Remaining Trust and in his personal capacity) dated 10 August 2004 under which Actraint No 119 Pty Ltd and Mr K R Murdoch grant to Carlholt an option to require Actraint No 119 Pty Ltd and Mr K R Murdoch to transfer to Carlholt certain shares in Cruden Investments on the terms, and subject to the conditions, of the CI Share Exchange Agreement, as amended.
CI Share Exchange Agreement	means the share exchange agreement, a form of which is attached to the CISEA Call Option Deed, between Actraint No 119 Pty Limited (in its capacity as trustee of the Settlement Trusts and the Remaining Trust) and Mr K R Murdoch (in his capacity as trustee of the Settlement Trusts and the Remaining Trust and in his personal capacity) as transferors, Carlholt, as transferee, and News Corp US, relating to the transfer of shares held by those transferors in the capital of Cruden Investments in return for shares in News Corp US, as amended.
Company	means Karlholt Pty Limited (ACN 008 483 261).

Corporations Act	means the Corporations Act 2001 (Cth).
Court	means the Federal Court of Australia unless the context indicates otherwise.
Cruden Group	means Karlholt Pty Limited (ACN 008 483 261); Cruden Holdings Pty Limited (ACN 008 657 252); Cruden Investments Pty Limited (ACN 004 251 058); Cruden Nominees Pty Limited (ACN 054 067 793) and Cruden (ACT) Pty Limited (ACN 008 622 884), but for the purposes of this Prospectus does not include any QPL Group Member.
Cruden Group Member	means a member of the Cruden Group.
Cruden Investments	means Cruden Investments Pty Ltd (ACN 004 251 058).
Cruden/QPL Transaction	means the acquisition by News Corp US (and its subsidiary, Carlholt) of the Cruden Group from the Murdoch Trusts.
Director	means a director of the Company unless the context indicates otherwise.
\$, dollar and cent	means Australian currency, unless the context otherwise requires.
EBIT	means earnings before interest and tax.
Exchange Agreements	means the Kayarem Share Exchange Agreement and the CI Share Exchange Agreement.
FATA	means the Foreign Acquisitions and Takeovers Act (Cth).
FIRB	means Australia's Foreign Investment Review Board.
Governmental Agency	means any government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial entity or authority. It also includes a self-regulatory organisation established under a statute or stock exchange.
Karlholt	means Karlholt Pty Limited (ACN 008 483 261) formerly named Kayarem Pty Limited (ACN 008 483 261).
Kayarem Contribution Agreement	means the agreement so entitled, to be entered into on the same date as the CI Share Exchange Agreement, between Carlholt and Kayarem by which the shares in Cruden Investments transferred to Carlholt under the CI Share Exchange Agreement are to be transferred from Carlholt to Karlholt immediately after completion of the CI Share Exchange Agreement, as amended.
Kayarem Share Exchange Agreement	means the share exchange agreement, a form of which is attached to the KSEA Call Option Deed, between Secure and Safeguard in their respective capacities as trustees of the AE Harris Trust and the Second Trust, as transferors, and News Corp US, as transferee, relating to the transfer of shares held by those transferors in the capital of Karlholt in return for shares in News Corp US, as amended.

KSEA Call Option Deed	means the deed between Secure and Safeguard (in their respective capacities as trustees of the AE Harris Trust and the Second Trust), News Corp US and News Corporation dated 10 August 2004 under which Secure and Safeguard granted to News Corp US an option to require Secure and Safeguard to transfer to News Corp US the shares in the capital of Karlholt on the terms, and subject to the conditions, of the Kayarem Share Exchange Agreement, as amended.
Listing	means Listing of the Shares of Karlholt on the Mezzanine Market of BSX.
Listing Regulations	means the Listing Regulations of the BSX.
Listing Rules	means the official listing rules of ASX, BSX or NYSE, as the case may be.
LSE	means the London Stock Exchange.
Mezzanine Market	means the Mezzanine Market of the BSX which is restricted to Qualified Investors only.
Murdoch Family	means Mr K R Murdoch the spouse and children of Mr K R Murdoch and those children's children.
Murdoch Trusts	means the AE Harris Trust, the Second Trust, the Settlement Trusts and the Remaining Trust, the beneficiaries of which include Mr K R Murdoch, members of his family and certain charities.
News Corporation	means The News Corporation Limited (ABN 40 007 910 330).
News Corp US	means News Corporation, Inc, a corporation incorporated under the laws of the State of Delaware, United States of America.
News Corp US share	means a share of News Corp US Voting Common Stock or a share of News Corp US Non-Voting Common Stock (as applicable).
News Corp US Voting Common Stock or Voting Common Stock	means shares of fully paid Class B common stock in News Corp US to be issued in connection with the Share Scheme.
News Corp US Non-Voting Common Stock or Non-Voting Common Stock	means fully paid Class A non-voting common stock in News Corp US to be issued in connection with the Share Scheme.
News Corp US Option	means an option granted by News Corp US under the Option Scheme to acquire News Corp US Non-Voting Common Stock.
News Corporation	means The News Corporation Limited (ABN 40 007 910 330).
News Corporation Ordinary Shareholder	means each person who is registered in the Share Register of News Corporation as the holder of Ordinary Shares.
News Corporation Ordinary Shares	means fully paid ordinary shares in News Corporation.
News Corporation Preferred Shareholder	means each person who is registered in the Share Register of News Corporation as the holder of Preferred Shares.

News Group	means:
	(a) prior to implementation of the Schemes, News Corporation and its controlled entities; and
	(b) after implementation of the Schemes, News Corp US and its controlled entities.
Non-Voting Common Stock	means shares of fully paid Class A common stock in News Corp US to be issued in connection with the Share Scheme.
Optionholders	means a person who is registered in the register of options (granted by News Corporation and maintained in accordance with the Corporations Act) as the holder of options.
Option Scheme	means the scheme of arrangement under part 5.1 of the Corporations Act between News Corporation and Optionholders, subject to any alterations or conditions imposed by the Court pursuant to section 411(6) of the Corporations Act.
NYSE	means the New York Stock Exchange.
NZSE	means the New Zealand Stock Exchange.
Ordinary Shares	means fully paid ordinary shares in News Corporation unless the context indicates otherwise.
Post-Transaction Internal Restructuring	means the internal restructuring of the News Group which will occur after implementation of the Proposed Transaction.
Preferred Shares	means fully paid preferred limited voting ordinary shares in News Corporation.
Proposed Transaction	means the transaction which involves the Reorganisation and, immediately prior to the Reorganisation, the Cruden/QPL Transaction.
QPL	means Queensland Press Pty Limited (ABN 38 009 678 200).
QPL Group	means Queensland Press Pty Limited and its controlled entities.
QPL Group Member	means a member of the QPL Group.
QPL Publishing Business	means the businesses described in section 4.2 of this Prospectus.
Qualified Investors	means, in accordance with the Listing Regulations, an investor who has truthfully completed an investor suitability declaration, in the form prescribed by BSX from time to time or in such other forms as BSX may approve and either; (1) makes an investment of not less than \$100,000 in the issuer; or (2) otherwise meets one of the suitability tests set out in the declaration.
Remaining Trust	has the meaning given to that term in the form of CI Share Exchange Agreement attached to the CISEA Call Option Deed.
Reorganisation	means the reorganisation under which News Corp US's wholly owned subsidiary, Carlholt, will acquire all of the Ordinary Shares and Preferred Shares and, in exchange, existing News Corporation Shareholders will receive shares in News Corp US, which is to be effected by way of the Schemes and the Capital Reduction on the Implementation Date following the completion of the Exchange Agreements.
S&P	means Standard & Poor's.

Safeguard	means Safeguard Nominees Pty Limited (ACN 002 873 163), of Level 6, Skygarden, 77 Castlereagh Street, Sydney, NSW 2000, Australia.
Scheme	means the Share Scheme or the Option Scheme (as the context requires) and Schemes means both the Share Scheme and the Option Scheme.
Scheme Consideration	means the Option Scheme Consideration and the Share Scheme Consideration.
Second Court Date	means the day on which the Court makes orders pursuant to section 411(4)(b) of the Corporations Act approving the Share Scheme.
Secure	means Secure Nominees Pty Limited (ACN 051 151 823), of Level 6, Skygarden, 77 Castlereagh Street, Sydney, NSW 2000, Australia.
Settlement Trusts	has the meaning given that term in the form of the CI Share Exchange Agreement attached to the CISEA Call Option Deed.
Shares	means the ordinary shares of Karlholt to be listed on the Mezzanine Market of BSX unless the context indicates otherwise.
Share Scheme	means the scheme of arrangement under Part 5.1 of the Corporations Act between News Corporation and News Corporation Ordinary Shareholders and News Corporation Preferred Shareholders.
Special Committee	means the special committee of non-executive directors of News Corporations formed to consider the Proposed Transaction and to participate in the negotiation of the Cruden/QPL Transaction.
US or United States	means the United States of America.

Auditors
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Australia

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Listing Sponsor
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Hamilton HM 12
Bermuda

Co-Sponsor
LOM Capital Limited
LOM Building
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Bermuda

SECTION 2. INTRODUCTION

The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Prospectus. The information contained in this Prospectus relating to the Company was obtained from the Company and other sources, but no assurance can be given by the Listing Co-sponsors LOM Capital Limited and Listing Sponsors Reid Services Limited as to the accuracy or completeness of such information. LOM Capital Limited and Reid Services Limited assumes no responsibility for the accuracy or completeness of the information contained herein (financial, legal or otherwise). In making an investment decision, investors must rely on their own examinations of the Company and the terms of this Prospectus, including the merits and risks involved. Moreover, the contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor is urged to consult its own attorney, business or tax advisor for legal, business or tax advice.

2.1 Introduction to Karlholt

Karlholt Pty Limited (**Karlholt or the Company**), an Australian registered company, is the ultimate holding company in the Cruden Group of companies (**Cruden Group**). The Cruden Group is owned and controlled by the Murdoch Trusts, which are entities associated with the Murdoch Family. The Company changed its name from Kayarem Pty Limited to Karlholt Pty Limited on 14 October 2004 pursuant to a circular resolution of the Company's shareholders.

The Cruden Group's principal assets are its approximate 14.16% shareholding in The News Corporation Limited (**News Corporation**) and an approximate 56% shareholding in Queensland Press Pty Limited (**QPL**). News Corporation is a diversified international media and entertainment company with operations in a number of industry segments including film and entertainment, television, cable network programming, direct broadcast satellite television, magazines and inserts, newspapers and book publishing. It is currently listed on the Australian Stock Exchange with a secondary listing on the New York Stock Exchange and holds an approximate 41.66% shareholding in QPL. QPL is the owner of a publishing business which includes two metropolitan and eight regional newspapers in Australia.

News Corporation is currently seeking to be 're-incorporated' in the United States and to have its primary listing on the New York Stock Exchange. News Corporation has also for some time been interested in acquiring the 56.25% shareholding in QPL not already owned by it.

With a view to achieving both aims, under a current proposal it is proposed that a new US company incorporated in the United States (**News Corp US**) will acquire through a subsidiary all of the shares in News Corporation. Shares and options in News Corporation will be cancelled and in exchange, the existing News Corporation shareholders and option holders will receive shares and options in News Corp US (the **Reorganisation**). News Corp US will have a primary listing on the New York Stock Exchange and secondary listings on the Australian and London Stock Exchanges. The Reorganisation will take place under Australian law through schemes of arrangement (the **Schemes**).

Immediately prior to the Reorganisation, News Corp US will acquire from the Murdoch Trusts a 56.25% shareholding in QPL through the acquisition of the

Cruden Group (the **Cruden/QPL Transaction**). The Reorganisation and the Cruden/QPL Transaction are referred to collectively as the **Proposed Transaction**.

News Corp US is a newly formed entity incorporated in the State of Delaware USA, for the purpose of consummating the Proposed Transaction and has no significant assets or liabilities.

SECTION 3. DETAILS OF LISTING

3.1 Key Dates

Event	Date*
Date of Prospectus	22 October 2004
Date of Expected Listing of the Shares on the Mezzanine Market of the BSX	26 October 2004

*These dates are indicative only and may be subject to change (in accordance with the Listing Regulations).

The details contained in this document are applicable as at 22 October 2004. This document is subject to updating and it is the responsibility of anyone relying on its contents to ensure that it is the most current version and that no corrections or revisions have been made subsequent to its issue.

3.2 Glossary of Terms

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in the Glossary of Terms. Where in this Prospectus the first letter of any word, or each word in any phrase, consistently appears in a capitalised form, that is an indication that such word or phrase may be defined in the Glossary of Terms.

All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

3.3 Listing Sponsor

The Listing is sponsored by Reid Services Limited, P O Box HM 1179, Argyle House, 41a Cedar Avenue, Hamilton, HM 12 Bermuda.

The Listing is co-sponsored by LOM Capital Limited, LOM Building, 27 Reid Street, Hamilton, HM 11, Bermuda.

3.4 Purpose of Listing

The Listing of Karlholt may have favourable consequences for the Company's shareholders under Australian stamp duty legislation. This is because the BSX is a member of the World Federation of Exchanges and transfers of securities that are quoted on a stock exchange that is a member of that Federation are not subject to stamp duty under that legislation. Ordinarily, transfers of shares which are not quoted on a stock exchange attract duty under Australian stamp duty legislation at a rate of 0.6% of the transfer consideration.

The Listing of the Company will also provide access to an efficient facility for executing any future transactions in shares in the Company.

3.5 Description of Listing

This Prospectus relates to the Listing of Shares in Karlholt by way of introduction. The Shares are already in issue and details of the share ownership of Karlholt are set out in section 3.6 of this Prospectus. The current issued share capital of the Company is 10 ordinary shares of no nominal/par value. There is no requirement under Australian law for a proprietary company to have an authorised share capital.

As the Listing will be an introduction of previously issued Shares, there will be no issue of new shares in Karlholt pursuant to this Prospectus and therefore no minimum subscription amount requirement. Karlholt is a holding company and does not have any working capital requirement.

The Shares to be listed are ten (10) ordinary shares which represent 100% of the issued shares of Karlholt (the **Shares**). Details of the rights attaching to the Shares are contained in section 10.1 of this Prospectus. The estimated market capitalisation of the Shares is in the region of AUD\$8.8 billion.

Again as the Listing will be by way of an introduction, there will be no sale of the Shares and therefore no commissions payable relating to the sale of Shares pursuant to this Prospectus.

The Listing will be on the Mezzanine Market of the BSX and as such any marketing of or trading in the Shares will be restricted to **Qualified Investors** only.

3.6 Ownership structure

The ownership structure of Karlholt is as follows:

Ownership Structure		
Shareholder	Shares	%
Secure Nominees Pty Ltd (ACN 051 151 823)	1 ordinary (held on trust for trustees of AE Harris Trust)	100
	9 ordinary (held jointly with Safeguard Nominees Pty Limited as trustee of AE Harris Trust).	
Safeguard Nominees Pty Ltd (ACN 002 873 163)	9 ordinary (held jointly with Secure Nominees Pty Limited as trustee of AE Harris Trust)	90

The interests in Karlholt are held by Secure Pty Limited and Safeguard Pty Limited as trustees of the AE Harris Trust. The AE Harris Trust is a discretionary trust established under a trust deed governed by the law of New South Wales Australia on 27 August 1970. Its beneficiaries include members of the Murdoch Family and various charities.

3.7 Rights attaching to Shares

The rights attaching to the Shares are detailed in the constitution of Karlholt. A summary of the rights and restrictions attaching to the Shares is set out in section 10.1 of this Prospectus.

3.8 BSX Listing

The Listing is being sought with the BSX and the Company does not propose to seek a Listing of its Shares on any other Financial Exchange. The existing Shareholders of Karlholt are not residents of Bermuda and Shares will not be offered to residents of Bermuda.

3.9 Enquiries

Enquiries should be addressed to Reid Services Limited, PO Box HM 1179, Argyle House, 41a Cedar Avenue, Hamilton, HM12, Bermuda.

SECTION 4. PROFILE OF KARLHOLT

4.1 Overview and History

As required
under
Appendix 2
Section IIIA
of the
Listing
Regulations

Karlholt is a proprietary company limited by shares incorporated in the Australian Capital Territory, Australia on 2 September 1970, registration number 008 483 261. Its registered office is located at Level 3, 25 National Circuit, Forrest ACT 2603. Karlholt is subject to the regulatory authority of the Australian Securities and Investment Commission (ASIC).

Karlholt's shareholders are Secure Nominees Pty Limited and Safeguard Nominees Pty Limited both of which hold the Shares in Karlholt as trustees of the AE Harris Trust. The AE Harris Trust is a discretionary trust established under a trust deed governed by the law of New South Wales Australia on 27 August 1970. Its beneficiaries include members of the Murdoch Family and various charities. Karlholt is the ultimate holding company in the Cruden Group of companies which comprises of:

Karlholt Pty Ltd	Cruden Nominees Pty Ltd
Cruden Holdings Pty Ltd	Cruden (ACT) Pty Ltd
Cruden Investments Pty Ltd	Cruden Investments Australia Pty Limited
Karlholt Australia Pty Limited	Karlholt US Sub Inc.

The Cruden Group holds an approximate 56% shareholding in QPL. QPL Group comprises of the following companies:

Queensland Press Pty Limited	Duvir Holdings Pty Limited
Queensland Newspapers Pty Limited	QP Developments Pty Limited
QP Finance Pty Limited	The Courier-Mail Children's Fund Pty Limited
QP Investments Pty Limited	QP Ventures Pty Limited
Quest Media, Holdings Pty Limited	Computer Paper Pty Limited
Gold Coast Publications Pty Limited	Telegraph Investments Co. Pty Limited
The Cairns Post Pty Limited	Telegraph Involvement Australia Pty Limited
T1 US Sub, Inc.	

A description of the Cruden Group and QPL businesses and their respective assets and liabilities is summarised below.

4.2 Cruden Group and QPL businesses

The Cruden Group comprises Karlholt and its subsidiaries but does not include QPL and its subsidiaries. The principal assets of the Cruden Group are News Corporation shares and the 56.25% shareholding in QPL. News Corporation already owns 41.66% of QPL.

The QPL Group comprises QPL and its subsidiaries. The QPL Group is the owner of a publishing business which includes two metropolitan and eight regional newspapers in Australia (the **QPL Publishing Business**). The QPL Group also owns shares in News Corporation.

The assets and liabilities of the Cruden Group are more fully described in section 4.3 below. The assets and liabilities of the QPL Group are more fully described in section 4.4 below.

4.3 Assets and liabilities of the Cruden Group

The principal assets of the Cruden Group after adjusting for the minority holdings in Cruden Investments Pty Limited, are its shareholdings of News Corporation and the QPL Group, being:

- (a) approximately 297.42 million News Corporation Ordinary Shares, representing approximately 14.16% of all the News Corporation Ordinary Shares;
- (b) approximately 67.02 million News Corporation Preferred Shares, representing approximately 1.73% of all the News Corporation Preferred Shares;
- (c) approximately 25.61 million ordinary shares in QPL, representing approximately 56.25% of the issued shares in QPL. 41.66% of the remaining shares in QPL are already owned by the News Group;
- (d) receivables from the Murdoch Trusts in an amount of approximately A\$23.49 million which relate to certain pre-completion transactions, undertaken or agreed to be undertaken by the Cruden Group to exclude by way of sale for their appraised value, private family assets, being a farm in New South Wales, Australia.

The material liabilities of the Cruden Group are loans which the parties have estimated will total approximately A\$326.49 million in aggregate on completion of the Cruden/QPL Transaction.

There are also a number of intra-group loans outstanding between members of the Cruden Group. As at 30 June 2004 Cruden Investments had made loans to other members of the Cruden Group of A\$1.82 billion. These amounts will remain outstanding on completion of the Cruden/ QPL Transaction but are purely intra-group arrangements and will not appear in the consolidated accounts of the Cruden Group.

4.4 Assets and liabilities of the QPL Group

The principal assets of the QPL Group in which the Cruden Group has an approximate interest of 56.25% are:

- (a) 319.14 million News Corporation Ordinary Shares, representing approximately 15.20% of all the News Corporation Ordinary Shares;
- (b) 148.01 million News Corporation Preferred Shares, representing approximately 3.82% of all the News Corporation Preferred Shares;
- (c) the QPL Publishing Business; and
- (d) certain other assets and investments which do not form part of the QPL Publishing Business, including a receivable in the amount of A\$18.55 million, which relates to the pre-completion sale of a residential property in Sydney.

The material liabilities of the QPL Group are loans from a syndicate of banks in Australia which, as at 30 June 2004, were A\$570 million in total. An estimate of QPL's net indebtedness as at the completion of the Cruden/QPL Transaction has been taken into account in calculating the consideration payable to the Murdoch Trusts under the Exchange Agreements (see section 10.2) with the difference, if any, between actual net indebtedness and that estimate being paid by cash adjustment shortly after completion (see section 10.2(e) for a description of the cash adjustment procedure).

4.5 Repayment of existing debt

News Corp US has agreed with the Cruden Group and QPL Group external lenders to either re-finance or repay amounts outstanding under the Cruden Group and QPL Group bank facilities shortly after completion of the Reorganisation. News Corp US intends to undertake that repayment using group resources in a manner permitted by applicable law. As stated in section 4.4 above, the estimated amount outstanding on the Cruden Group and QPL Group bank facilities has been deducted from the price payable to the Murdoch Trusts in the Cruden/QPL Transaction and if that estimate is not accurate, a cash adjustment will be made soon after completion.

There is no litigation or claims of material importance against Karlholt or a member of its group in the last five years or which is pending or threatened.

4.6 The Proposed Transaction

The Proposed Transaction involves:

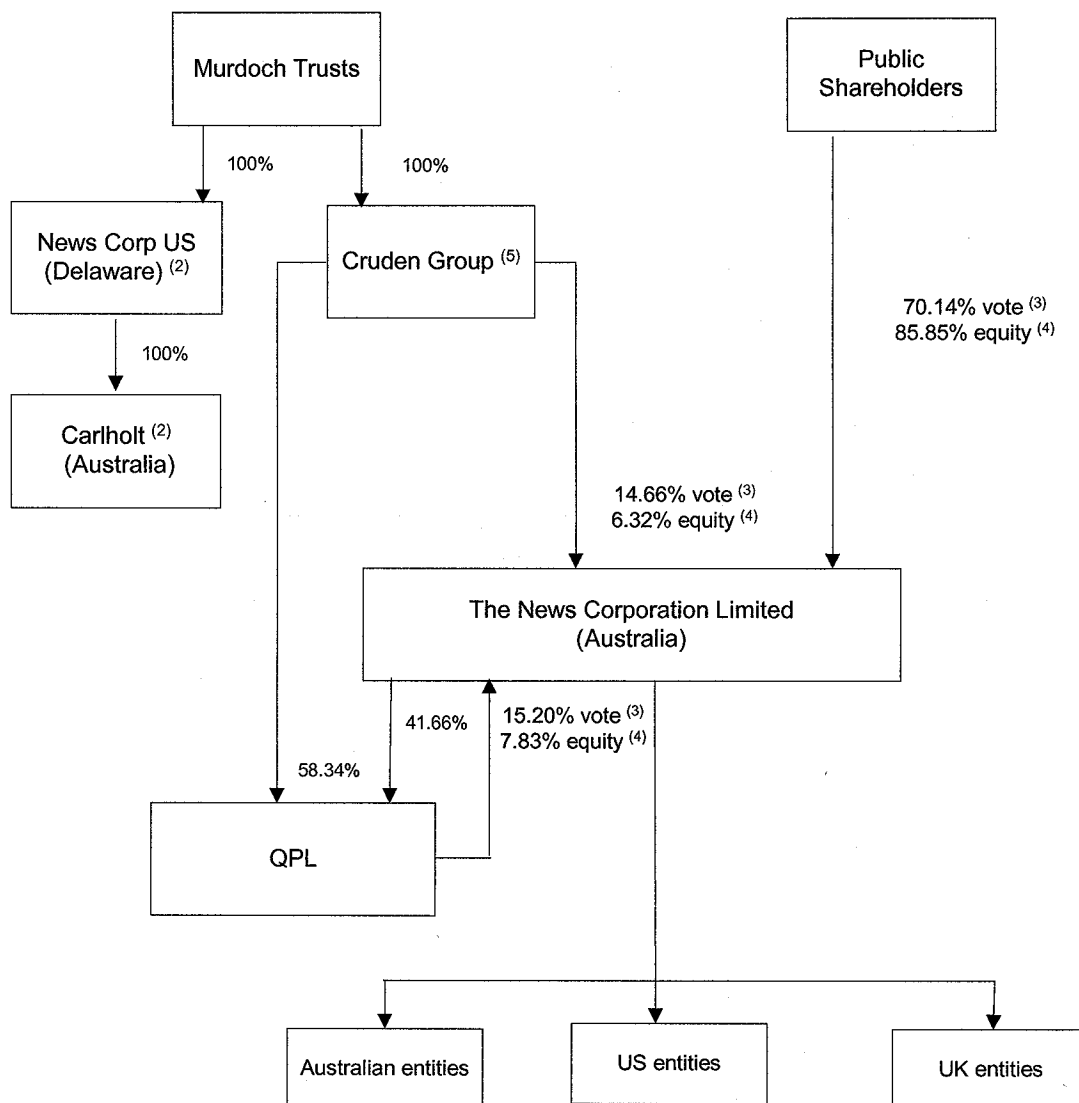
- (a) the establishment of a new corporate structure for News Corporation, under which News Corp US (a new company incorporated in the United States) will become the holder, either directly or through its wholly owned subsidiary, Carlholt Pty Limited, of all the Shares in News Corporation. Shares and options in News Corporation will be cancelled and, in exchange, existing News Corporation Shareholders and Optionholders will receive shares and options in News Corp US; and
- (b) immediately prior to, and in conjunction with, the implementation of that Reorganisation, News Corp US will acquire the Cruden Group of companies from the Murdoch Trusts in exchange for shares of Voting Common Stock and Non-Voting Common Stock in News Corp US.

The Murdoch Trusts currently hold the Cruden Group through a 100% shareholding in Karlholt (the ultimate holding company of the Cruden Group) and certain minority holdings in Cruden Investments Pty Limited, a member of the Cruden Group.

The following charts show (in simplified form) the current structure of the News Corporation and the Cruden Group of companies and the structure immediately after the implementation of the Proposed Transaction.

Current Structure

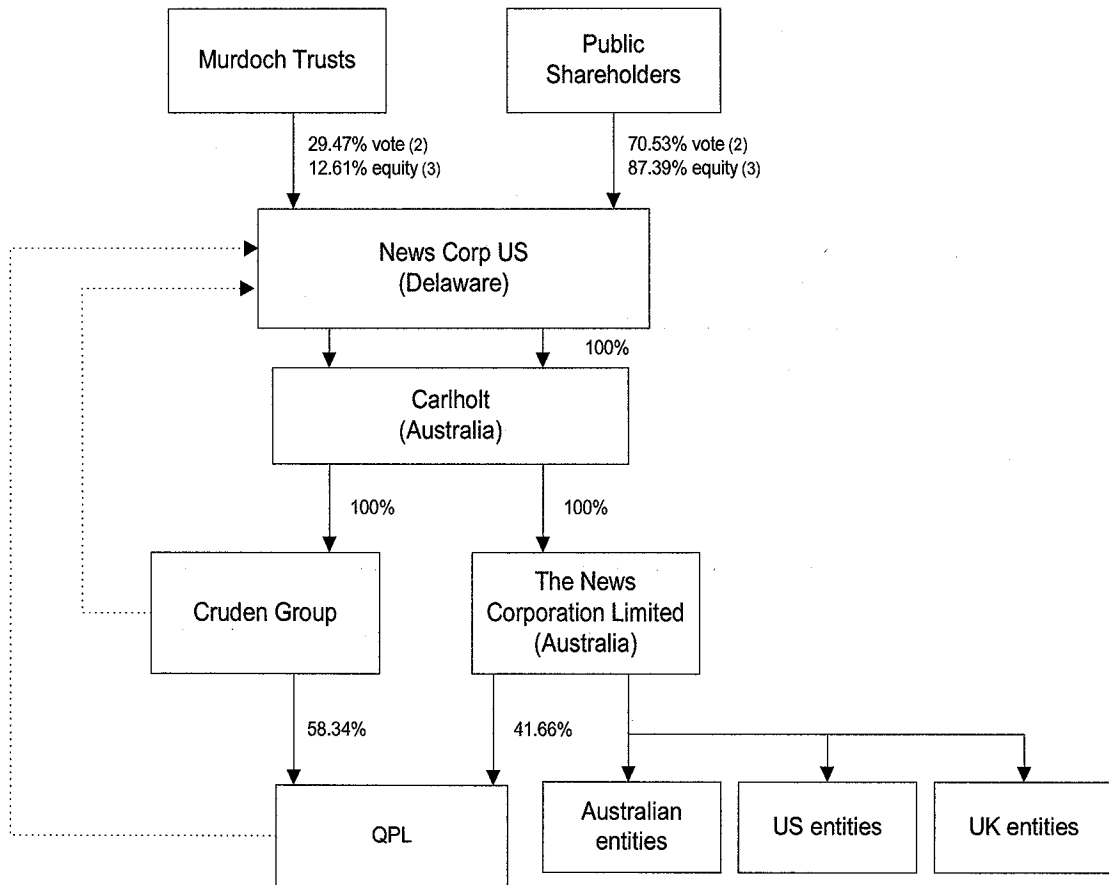
The following chart shows (in simplified form) the current structure of News Corporation and the Cruden Group of companies. ⁽¹⁾



- (1) All percentages shown in this chart are based on issued capital of News Corporation as at 30 June 2004.
- (2) News Corp US and Carlholt are newly formed entities for the purposes of the Proposed Transaction that have no significant assets or liabilities.
- (3) These are references to the percentage of total ordinary shares held.
- (4) These are references to the percentage of total issued shares held.
- (5) Percentage interests includes those of the minority holdings of the Murdoch Trusts in Cruden Investments Pty Limited.

Structure Immediately After Proposed Transaction

The following chart shows (in simplified form) the structure of the News Group immediately after implementation of the Proposed Transaction.



- (1) All percentage figures shown in this chart are based on issued capital expected to be in place on the date of completion, but without regard to any shares issued by News Corporation under its dividend reinvestment plan or on exercise of any options.
- (2) These are references to the percentage of total voting shares held.
- (3) These are references to the percentage of total issued shares held.

Following the Proposed Transaction News Corp US will have acquired 100% of Carlholt. It will also have acquired minority interests in Cruden Investments Limited through its wholly-owned Australian subsidiary, Carlholt Pty Limited, thereby acquiring 100% of the Cruden Group and indirectly acquiring the shareholding in QPL not already held by it. In exchange the Murdoch Trusts will own approximately 29.47% of the voting shares of News Corp US. News Corp US is a newly formed entity created for the purpose of consummating the Proposed Transaction and has no significant assets or liabilities.

The Proposed Transaction is expected to take place on or about 12 November 2004, with the despatch of holding statements and transmittal letters expected to occur on or about 18 November 2004. This timetable may be subject to change.

SECTION 5. RISK FACTORS

5.1 Introduction

The Company's businesses are subject to risks, which might impact on its future performance. Many of these risks are outside the control of the Company and cannot be mitigated. These risks are summarised below.

5.2 General

This section identifies the areas that the Directors regard as the major risks associated with an investment in the Company.

As the Company is a holding company, the risks associated with investing in the Company are primarily associated with its principal assets, being the shareholdings in News Corporation and the QPL Group. Accordingly, the risks are more of a general nature which individually, or in combination might affect the value of an investment in the Company. An investment in the Company should be considered in light of the risks. Before making an investment in the Company, prospective investors should read the whole of this Prospectus and should specifically consider the factors contained within this section in order to fully appreciate the risks.

The principal risk factors include, but are not limited to, the following:

5.3 Stock market investment

Potential investors should be aware that there are risks associated with any stock market investment. It is important to recognise that share prices and dividends might fall or rise. Factors affecting the market price could include the domestic and international economic conditions and outlook, changes in government fiscal, monetary and regulatory policies, changes in interest rates and the rate of inflation, the announcement of new products or technologies, success in winning contracts, variations in general market conditions or market conditions which are specific to a particular industry. In addition, the share prices for many companies are affected by factors which might be unrelated to the operating performance of the relevant company. Such fluctuations might adversely affect the market price of the Shares.

5.4 The business of media and entertainment

The value of the shareholdings in News Corporation are dependent upon the ongoing strength of international media entertainment markets which in turn is linked to the level of economic growth in each of the countries in which News Corporation operates. For example, if there is a general weakening in the US economy, News Corp US's revenues and operating results might be adversely impacted.

5.5 Competition from other forms of media

QPL and News Corporation are and will be subject to competition from other forms of media in the countries in which they currently operate or propose to operate. QPL and News Corporation compete for audience share and advertising revenues with other media and entertainment companies. Other media and entertainment companies may improve current forms of media and entertainment or develop alternative forms of media. Similarly, alternative media or

entertainment companies could improve their ability to target specific audiences and hence become more attractive for advertisers, consumers and audiences. All of these circumstances could result in News Corporation not being as competitive as it currently is in relation to forms of media and entertainment which would could result in price reductions, reduced margins or loss of market share and adversely impact its cash flows and operating results.

5.6 Loss of key personnel

QPL's and News Corporation's operations are dependent upon the continued performance, efforts, abilities and expertise of its key personnel. There are no guarantees that QPL and News Corporation will be able to retain these employees or that they will be able to prevent them from competing with QPL or News Corporation in the event of their departure.

5.7 Rapid technology changes

The media and entertainment industry is subject to rapid technological change, evolving industry standards and the emergence of new media technologies.

There are no assurances that QPL and News Corporation will have the resources to acquire all new competitive technologies, or to introduce new services using its existing technological capabilities that could compete with these new technologies.

5.8 Acts of terrorism and outbreak of international hostilities

Acts of terrorism or an outbreak of international hostilities may adversely affect consumer confidence and lead to a downturn in customer spending. This may adversely affect the revenue generating ability of QPL and News Corporation which could have a negative impact on the value of shares in the Company.

5.9 Accounting standards

Accounting standards might change necessitating a change in accounting policies currently adopted by the Company.

5.10 Proposed Transaction

(a) If BSX Listing Approval not obtained

Assuming all the necessary News Corporation Shareholder and Optionholder approvals are obtained in relation to the Reorganisation, the Proposed Transaction will complete irrespective of BSX Listing Approval being obtained, however, transfers of the Company's securities will attract stamp duty under Australian stamp duty legislation.

(b) Cross-Shareholding

Under the Proposed Transaction, the companies within the Cruden Group and QPL Group which before the transaction hold shares in News Corporation will become subsidiaries of News Corp US and will, because they participate in the Share Scheme in the same manner as all other Shareholders, own shares of News Corp US (**Hook Stock**). For US GAAP purposes, the Hook Stock will be treated as treasury shares. Further, except as required by law, (i) no dividend shall be payable on

Hook Stock (unless the dividend is payable in shares of common stock or securities convertible into common stock of News Corp US), (ii) no shares of Hook Stock shall be entitled to vote or be counted for quorum purposes, (iii) no shares of Hook Stock shall be treated as or deemed outstanding for purposes of determining voting requirements, securities law or regulatory requirements; and (iv) shares of Hook Stock shall not be permitted to participate in offers to acquire 15% or more of the shares of either News Corp Voting Common Stock or News Corp US Non-Voting Common Stock. Despite the above, Hook Stock shall be deemed outstanding for the purpose of participating in distributions upon any dissolution, liquidation or winding up and in any merger, consolidation, recapitalisation or reclassification of News Corp US.

Upon any of the Hook Stock ceasing to be owned by a majority owned subsidiary of News Corp US, all of the restrictions described above will immediately terminate in relation to that Hook Stock and such Hook Stock will be shares ranking equally with other News Corp US Non-Voting Common Stock or Voting Common Stock, as the case may be. If the Hook Stock were to be counted as issued and outstanding, it would represent approximately 12.58% of the total shares of News Corp US Common Stock on issue and outstanding immediately after completion of the Proposed Transaction (and approximately 23.09% of the total shares of Voting Common Stock on issue and outstanding at that date). News Corporation has no intention to transfer or otherwise dispose of the Hook Stock, or any wholly owned subsidiary which will hold the Hook Stock, in the foreseeable future.

SECTION 6. CORPORATE INFORMATION

6.1 Board of directors

As required
under
Appendix 2
Section IIIA
of the
Listing
Regulations

John Edward Mannix is Australian and was born on 25 October 1952. He was appointed as a director of Karlholt on 17 April 1991. Mr Mannix has been a consultant with Minter Ellison Lawyers since January 2002 and his areas of expertise include corporate and revenue law. Between 1994 and 2000 Mr Mannix was a partner at Atanaskovic Hartnell and from 1986 to 1994 was a partner at Blake Dawson Waldron. Prior to 1986, Mr Mannix was employed as a Senior Associate at Blake Dawson Waldron. Mr Mannix does not hold any other directorships in publicly listed or trading companies. Mr Mannix's current address is 8 Clarence Street, Burwood, NSW.

Jesse Angelo is American and was born on 23 August 1973. He was appointed as a director of Karlholt on 19 July 1999. He is a journalist and newspaper executive. Journalist and newspaper executive. From 1999 to present, Mr Angelo has been employed by the New York Post, the oldest newspaper in America and is the Metropolitan Editor in charge of all news coverage. Mr. Angelo has held a variety of editorial positions in the news and business sections. From 1996 to 1999, Mr Angelo worked for the Daily Telegraph in Sydney, Australia and before that, in 1993 and 1994, he worked for The Sun in London. Mr Angelo does not hold any other directorships in publicly listed or trading companies. Mr Angelo's current address is 10th Floor -1221 Avenue of the Americas, NY, 10036 USA.

Richard John Oldfield is British and was born on 11 October 1955. He was appointed as a director of Karlholt on 19 July 1999. Mr Oldfield is a financial adviser. From 1977 to 1996 Mr Oldfield was employed by SG Warburg & Co and its successor investment management subsidiary Mercury Asset Management plc (with the exception of a period in 1983 to 1984 at Credit Suisse First Boston Ltd) and was a director of Mercury Asset Management plc and managing director of Mercury Asset Management International Ltd, responsible for the global equity portfolio business. Mr Oldfield was also a director of Mercury's Australian subsidiary and President of two New York Stock Exchange listed investment companies, the UK Fund Inc. and the Europe Fund Inc. In 1996 Mr Oldfield jointed Alta Advisers Ltd, an investment management and advisory company, and since 1997 has been its managing director. Mr Oldfield is currently chairman of the Keystone Investment Trust plc and a director of JP Morgan Fleming Smaller Companies Investment Trust plc (both listed in London). Mr Oldfield's current address is Doddington PL, Doddington Kent England ME9 OBB.

David Francis DeVoe is American and was born on 5 January 1947. He was appointed as a Director of Karlholt on 19 July 1999. He has been Director, Chief Financial Officer and Finance Director of The News Corporation Limited since 1990. He was Deputy Finance Director for The News Corporation Limited from 1985 to 1990. He has been Director of Fox Entertainment Group Inc since 1991, Senior Executive Vice President and Chief Financial Officer since 1998. He has also been a Director of STAR Group since 1993 and a Director of British Sky Broadcasting Group plc since 1994. Finally Mr DeVoe is a Non-executive Director of NDS Group plc since 1996 and a Director of Gemstar-TV Guide International, Inc since 2001. Mr DeVoe's current address is 110 Van Brunt Manor Rd, Poquott, USA.

Arthur Michael Siskind is American and was born on 11 October 1938. He was appointed as a Director of Karlholt on 19 July 1999. He has been a Director and Group General Counsel of The News Corporation Limited since 1991. He has been Senior Executive Vice President since 1996. Mr Siskind is a Director of British Sky Broadcasting Group plc since 1992 and a Director of STAR Group since 1993. He is also a Non-executive Director of NDS Group plc since 1996 and Director, Senior Executive Vice President and General Counsel of Fox Entertainment Group Inc since 1998. Mr Siskind's current address is 655 Park Avenue, New York, USA.

Brian Desmond Fraser is Australian and was born on 5 February 1931. He was appointed as a Director of Karlholt on 29 May 1992. Mr Fraser is a chartered accountant with experience in auditing, income tax and management accounting advising public companies, private companies and family enterprises. Mr Fraser qualified as a chartered accountant in 1951, is a fellow of the Institute of Chartered Accountants in Australia, Fellow of the Australian Society of CPAs and Associate of the Institute of Chartered Secretaries and Administrators. Mr Fraser was a senior partner in the Sydney office of Pannell Kerr Forster in 1985 and Chairman Partner of the national firm of Pannell Kerr Forster from 1985 to 1990. In 1991 Mr Fraser was a consultant to Arthur Andersen and retired from the accountancy profession in late 1991. From 1991 to the present, Mr Fraser has provided general consultancy services to various clients. Mr Fraser does not hold any other directorships in publicly listed or trading companies. Mr Fraser's current address is 4 Bimburra Avenue, St Ives, NSW 2075, Australia.

Michael Lee Ball is Australian was born on 2 October 1955. He was appointed as a Director of Karlholt on 2 July 2003. Mr Ball has been a partner at Allens Arthur Robinson (formerly known as Allen Allen & Hemsley) since 1987 and his areas of expertise include competition and insurance law and dispute resolution. Between 1983 and 1987 Mr Ball was employed as a lawyer at Allen Allen & Hemsley. During 1981 and 1982 Mr Ball was a senior law reform officer with The Australian Law Reform Commission. Mr Ball does not hold any other directorships in publicly listed or trading companies. Mr Ball's current address is Unit 20, 200 Forbes Street, Darlinghurst, NSW 2010, Australia.

Mark Jonathan Devereux is British and was born on 2 August 1956. He was appointed as a Director of Karlholt on 11 June 2004. Mr Devereux is a senior partner in a London based law firm, Olswang Solicitors and his areas of expertise include advising major entertainment and media corporations on all aspects of film, television, video production distribution and international financing. Mr Devereux has been with Olswang since its foundation in 1981 and does not hold any other directorships in publicly listed or trading companies. Mr Devereux's current address is 3 Kildare Terrace London W2, 5JT UK.

No Director has, in any jurisdiction, been convicted in any criminal proceeding or has had a bankruptcy petition filed against him or any partnership in which he was a partner or any body corporate of which he was a director or has been sanctioned or otherwise disciplined by any self regulatory securities association of which he is or has been a member or by any securities supervisory or regulatory body or any such event is pending.

6.2 Company Secretary

Brian Desmond Fraser is Australian and was appointed as secretary of Karlholt on 29 May 1992 (see section 6.1 for Mr Fraser's professional employment history). His current address is 4 Bimburra Avenue, St Ives NSW 2075, Australia.

Dorothy Wyndoe is Australian and was appointed as secretary of Karlholt on 2 September 1970. Since then, Ms Wyndoe has been the executive assistant to K R Murdoch, the Chairman and Chief Executive of News Corporation. Ms Wyndoe's current address is 57 Blackbutt Avenue, Lugarno, NSW 2210.

6.3 Interests of directors and remuneration

Directors Interests

The Directors of Karlholt (the **Directors**) are not required under the Company's constitution to hold any shares or options in the Company. The Directors have no direct or indirect interests in Karlholt.

Remuneration

Under the constitution of Karlholt, the remuneration of the Directors will from time to time be fixed by the Company in general meeting. The constitution also provides that the Directors may be paid any expenses properly incurred by them in their role as Director. The Directors do not have any powers to vote a change in remuneration.

A Director may hold any office or place of profit under any company in which the Company is a shareholder or otherwise interested and may contract with the Company either as vendor, purchaser or otherwise. A Director may vote in respect of any contract or arrangement in which he is interested and a Director may be appointed as the Director to be present at the affixing of the seal of the Company to any instrument despite the fact that he is interested in the contract or arrangement to which the instrument relates.

As at 30 June 2004 the Directors' aggregate remuneration was nil. The Directors do not receive remuneration for their services to the Company.

6.4 Employees

As at 30 June 2004 Karlholt and the Cruden Group employs 7 permanent employees.

As at 30 June 2004 QPL employs 1,612 permanent employees comprising, 482 editorial staff, 450 production employees in its print facilities, 215 direct advertising staff, 65 employees involved in circulation and marketing, as well as 143 staff in general administration, management, finance and information technology roles. QPL and News Corporation currently share content, resources and staff.

6.5 Corporate Governance

The composition of the Board of Karlholt may be altered from time to time by ordinary resolution passed at a general meeting of the Company.

Currently the Directors are:

- John Mannix;
- Jesse Angelo;
- Richard Oldfield;
- David Devoe;
- Arthur Siskind;
- Brian Fraser;
- Michael Ball; and
- Mark Devereux.

At every annual general meeting each Director will retire from office and be eligible for re-election.

SECTION 7. AUDITOR'S CONSENT

BOROUGH MAZARS ACCOUNTANTS, AUDITORS & ADVISORS

Partners:
JOHN LEECE OAM
BRIAN VOGEL
ALAN MOFFAT
JOHN SCARFE
STEVE WEARNE
ALASTAIR WYLIE
PAUL COLLINS
SHANE CHADWICK

LEVEL 6
SKYGARDEN
77 CASTLEREAGH STREET
SYDNEY NSW 2000
DX 232, SYDNEY
TELEPHONE (02) 9930 7700
FACSIMILE (02) 9930 7777
INTERNATIONAL PREFIX 61 2
E-MAIL mail@boroughmazars.com.au

20 October 2004

The Directors
Karlholt Pty Ltd
C/- Minter Ellison
Level 3, 25 National Circuit
Forrest ACT 2603

Dear Sirs,

RE. CONSENT TO BE NAMED IN PROSPECTUS AND TO INCLUSION OF AUDITOR'S REPORT

We refer to the prospectus to be dated on or about 21 October 2004 relating to the listing of 10 ordinary shares in Karlholt Pty Limited: ACN: 008 483 261 on the Bermuda Stock Exchange (**Prospectus**).

Borough Mazars has given its consent to be named as Auditor in the Prospectus, and to the inclusion of a copy of the special purpose audited financial statements for 2003, 2004 and comparatives in 2002 in the Prospectus in the form and context in which they appear.

Borough Mazars acknowledges that all the financial data referenced in section 4 of the Prospectus is materially correct.

Yours faithfully,

Borough Mazars
J. D. Scarfe

Partner
Borough Mazars

with National and International Affiliations

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW) —

SECTION 8. AUDITOR'S REPORTS*

*The certificate of registration of change of name was issued to the Company by the Australian Securities and Investments Commission on 18 October 2004. Accordingly, the auditor's report dated 15 October 2004 refers to 'Kayarem Pty Limited'

BOROUGH MAZARS
ACCOUNTANTS, AUDITORS & ADVISORS

Partners:
JOHN LEECE OAM
BRIAN VOGEL
ALAN MOFFAT
JOHN SCARFE
STEVE WEARNE
ALASTAIR WYLIE
PAUL COLLINS
SHANE CHADWICK

KAYAREM PTY LIMITED
ABN: 85 008 483 261

LEVEL 6
SKYGARDEN
77 CASTLEREAGH STREET
SYDNEY NSW 2000
DX 232, SYDNEY
TELEPHONE (02) 9930 7700
FACSIMILE (02) 9930 7777
INTERNATIONAL PREFIX 61 2
E-MAIL mail@boroughmazars.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS

Scope

We have audited the Statement of Financial Position and Notes to the Financial Statements included in the attached special purpose financial report of Karlholt Pty Limited formerly named Kayarem Pty Limited ("the Company") for the years ended 30th June 2003 and 30th June 2002.

The Company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the needs of the members. We have conducted an Independent Audit of the Statement of Financial Position and Notes relating thereto in order to express an opinion on them to the members of the Company. No opinion is expressed as to whether the accounting policies used and described in Note 1 to the financial statements are appropriate to the needs of the members.

The financial report has been prepared for distribution to the members to enable the financial position of the Company at 30th June 2003 and 30th June 2002 to be determined on a fair value basis, as opposed to the historical cost basis, for the purpose of obtaining a mezzanine listing on the Bermuda Stock Exchange. We disclaim any assumption of responsibility for any reliance on this audit report or on the Statement of Financial Position to which it relates to any person other than the members or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting amounts and other disclosures in the Statement of Financial Position and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the Statement of Financial Position is presented fairly, in accordance with the accounting policies described in Note 1 to the financial statements, so as to present a view which is consistent with our understanding of the Company's financial position. The financial report does not require the application of all accounting standards and other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

with National and International Affiliations

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

KAYAREM PTY LIMITED

ABN: 85 008 483 261

INDEPENDENT AUDIT REPORT TO THE MEMBERS

Audit Opinion

In our opinion the financial report presents fairly, in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of the Company as at 30th June 2003 and 30th June 2002.

Borough Mazars

BOROUGH MAZARS

J.D. Scarfe

J.D. Scarfe

15 October 2004

BOROUGH MAZARS
ACCOUNTANTS, AUDITORS & ADVISORS

Partners:
JOHN LEECE OAM
BRIAN VOGEL
ALAN MOFFAT
JOHN SCARFE
STEVE WEARNE
ALASTAIR WYLIE
PAUL COLLINS
SHANE CHADWICK

KAYAREM PTY LIMITED
ABN: 85 008 483 261

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FACSIMILE (02) 9930 7777
INTERNATIONAL PREFIX 61 2
E-MAIL mail@boroughmazars.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS

Scope

We have audited the Statement of Financial Position and Notes to the Financial Statements included in the attached special purpose financial report of Karlholt Pty Limited (“the Company”) for the year ended 30th June 2004.

The Company’s directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the needs of the members. We have conducted an Independent Audit of the Statement of Financial Position and Notes relating thereto in order to express an opinion on them to the members of the Company. No opinion is expressed as to whether the accounting policies used and described in Note 1 to the financial statements are appropriate to the needs of the members.

The financial report has been prepared for distribution to the members to enable the financial position of the Company at 30 June 2004 to be determined on a fair value basis, as opposed to the historical cost basis, for the purpose of obtaining a mezzanine listing on the Bermuda Stock Exchange. We disclaim any assumption of responsibility for any reliance on this audit report or on the Statement of Financial Position to which it relates to any person other than the members or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting amounts and other disclosures in the Statement of Financial Position and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the Statement of Financial Position is presented fairly, in accordance with the accounting policies described in Note 1 to the financial statements, so as to present a view which is consistent with our understanding of the Company’s financial position. The financial report does not require the application of all accounting standards and other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

with National and International Affiliations

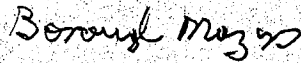
Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

KAYAREM PTY LIMITED
ABN: 85 008 483 261

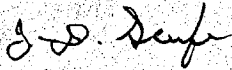
INDEPENDENT AUDIT REPORT TO THE MEMBERS

Audit Opinion

In our opinion the financial report presents fairly, in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of the Company as at 30 June 2004.



BOROUGH MAZARS



JD Scarfe

15 October 2004

SECTION 9. FINANCIAL STATEMENTS*

*The certificate of registration of change of name was issued to the Company by the Australian Securities and Investments Commission on 18 October 2004. Accordingly, the auditor's report (and the financial statements contained therein) dated 15 October 2004 refers to 'Kayarem Pty Limited'

KAYAREM PTY. LIMITED ABN 85 008 483 261

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2003

	Note	2003 \$	2002 \$
Revenues from ordinary activities	2	8,901,002	10,514,856
Changes in inventories		1,022,274	913,296
Employee benefits expense		(332,768)	(314,985)
Depreciation and amortisation expenses		(158,951)	(152,373)
Borrowing costs expense		(12,672,913)	(11,971,672)
Crutching and shearing		(269,315)	(250,574)
Fertiliser and seeds		(210,191)	(201,132)
Fodder		(573,155)	(36,087)
Other expenses from ordinary activities		(1,190,555)	(867,496)
(Loss) from ordinary activities before income tax (benefit)	2	(5,484,572)	(2,366,167)
Income tax (benefit) relating to ordinary activities	3	-	-
Net (loss) from ordinary activities after income tax (benefit) attributable to members of the company	16	(5,484,572)	(2,366,167)
Total revenues, expenses and valuation adjustments attributable to members of the company recognised directly in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		(5,484,572)	(2,366,167)

The accompanying notes form part of these financial statements.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2003

	Note	2003 \$	2002 \$
CURRENT ASSETS			
Cash assets	5	4,419,759	3,746,800
Receivables	6	52,738	24,746
Inventories	7	3,381,124	2,358,850
Other	8	4,924	5,009
TOTAL CURRENT ASSETS		7,858,545	6,135,405
NON-CURRENT ASSETS			
Receivable	6	-	4,654,690
Other financial assets	9	7,546,683,985	6,339,043,445
Property, plant and equipment	10	25,705,420	25,964,690
TOTAL NON-CURRENT ASSETS		7,572,389,405	6,369,662,825
TOTAL ASSETS		7,580,247,950	6,375,798,230
CURRENT LIABILITIES			
Payables	11	111,378	158,605
Provisions	13	33,375	30,363
TOTAL CURRENT LIABILITIES		144,753	188,968
NON-CURRENT LIABILITIES			
Interest bearing liability	12	196,043,635	188,025,411
Provisions	13	-	1,114
TOTAL NON-CURRENT LIABILITIES		196,043,635	188,026,525
TOTAL LIABILITIES		196,188,388	188,215,493
NET ASSETS		7,384,059,562	6,187,582,737

The accompanying notes form part of these financial statements.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2003
(Continued)

	Note	2003 \$	2002 \$
EQUITY			
Contributed equity	14	4,040	4,040
Reserves	15	7,382,746,180	6,186,584,355
Retained profits	16	1,309,342	994,342
TOTAL EQUITY		<u>7,384,059,562</u>	<u>6,187,582,737</u>

The accompanying notes form part of these financial statements.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This Financial Report has been prepared for the members to provide a market value report of the company for the purpose of obtaining a mezzanine listing on the Bermuda Stock Exchange.

As the company is a non-reporting entity and as the financial report has been prepared for the specific purpose mentioned above no Accounting Standards or other mandatory professional reporting requirements have been applied in the preparation and presentation of the financial report.

All assets are stated at Directors Valuations at balance date and the surplus on revaluation of non-current assets has been credited to Asset Revaluation Reserve whilst the surplus on revaluation of the livestock has been credited to the Statement of Financial Performance.

The Director Valuations have been determined as follows:

- (i) Investments in shares traded in organised financial markets have been revalued to fair value, on the basis of the quoted market bid price as at balance date.
- (ii) Land and buildings as at 30th June, 2003 have been estimated using independent valuations by registered valuers at 30th June 2004 and 30th June 2002.
- (iii) Inventories, comprising livestock and commodities, have been measured using relevant sales figures at or close to balance date.
- (iv) Other monetary assets including cash, receivables and payables, are recognised at fair value on the basis that their historical cost carrying value is a reasonable approximate.
- (v) Investments in other corporations have been revalued to fair value on the basis of the companies percentage ownership in the underlying net assets. The accounting policies used to derive the fair value of the underlying net assets are consistent with the company's accounting policies stated elsewhere in Note 1 to the financial statements. Where the other corporations trade in their own right, as opposed to holding investments, the businesses have been valued at balance date by the directors.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(v) (continued)

The Directors have relied upon the audited financial reports of the other corporations, where applicable, for identifying and determining their net assets at 30 June 2003 and 30th June, 2002.

The auditors of those companies, expressed unqualified audit opinions:

Subsidiary

Cruden Investments Pty Limited
Cruden (ACT) Pty Limited
Queensland Press Pty Limited and controlled entities

In addition, the Directors relied on the financial report of Cruden Holdings Pty Limited which was not audited but which was compiled in accordance with APS9 "Statement on Compilation of Financial Reports".

The comparative figures have also been restated at Directors Valuations.

Some of the assets would be subject to Australian Capital Gains Tax upon their disposal. However, as there is no intention to dispose of any significant assets which would attract a capital gains tax liability no provision for any Capital Gains Tax liability has been brought to account and no detailed calculations of what that liability could be have been done.

In addition the value of the company in this financial report does not recognise any reduction in value that a potential purchaser may seek as a consequence of the tax, if any, a purchaser in its own right may incur on distributions to it of retained income and assets of the company at purchase date.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

	2003	2002
	\$	\$
2. (LOSS) FROM ORDINARY ACTIVITIES		
Revenues from ordinary activities have been ascertained as follows:		
Gross Proceeds from:		
Primary Production Activities	1,093,923	1,625,214
Investment Income	7,781,817	8,842,234
Rental Income	25,262	20,622
Foreign Exchange Gains	-	8,091
Sundry Income	-	3,720
Sale of Assets	-	14,975
	8,901,002	10,514,856
 (Loss) from ordinary activities before income tax has been determined after:		
(a) Expenses:		
Depreciation of property, plant and equipment	158,951	152,373
Remuneration of auditor		
- audit or review	11,000	11,000
- other services	16,693	22,035
(b) Revenue and Net Gains:		
Net gain/(loss) on disposal of property, plant and equipment	(10,599)	14,975
Net gain/(loss) on disposal of investments	(81,094)	-

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

	2003	2002
	\$	\$
3. INCOME TAX (BENEFIT)/ EXPENSE		
The prima facie tax (benefit) on (loss) from ordinary activities before income tax is reconciled to the income tax (benefit) as follows:		
Prima facie tax on (loss) from ordinary activities before income tax at 30% (2002: 30%)	(1,645,372)	(709,850)
Less:		
Tax losses not brought to account	1,645,372	709,850
Income tax (benefit) attributable to (loss) from ordinary activities	<u> -</u>	<u> -</u>
4. DIVIDENDS PAID OR PROPOSED		
Declared fully franked dividend of \$441,189 (2002: \$550,521.60) per ordinary share franked at tax rate of 30% (2002: 30%)	<u>4,411,895</u>	<u>5,505,216</u>
Balance of franking account at year end adjusted for franking credits arising from payment or provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial year	<u>14,829,867</u>	<u>13,945,916</u>

Under legislation that took effect from 1 July 2002, the amount recorded in the franking account is the Australian income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends. In accordance with this legislation, the franking credits available at 30 June 2002 for the company \$32,540,472 based on after tax profits, were converted so that the opening balance on 1 July 2002 reflected the tax paid amounts which are shown as the comparative amounts above.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

	2003	2002
	\$	\$
5. CASH ASSETS		
Cash on hand	-	177
Cash at bank	3,527,110	2,696,161
Cash on short term deposit	892,649	1,050,462
	4,419,759	3,746,800
	4,419,759	3,746,800
6. RECEIVABLES		
Current		
Other debtors	-	7,506
GST clearing account	52,738	17,240
	52,738	24,746
	52,738	24,746
Non-current		
Loan to subsidiary company:		
Cruden Holdings Pty Limited	-	4,654,690
	-	4,654,690
	-	4,654,690
7. INVENTORIES		
Current - at Directors Valuation		
Livestock:		
Grazing	2,316,890	2,004,250
Horses	2,090	1,600
Wool	1,062,144	353,000
	3,381,124	2,358,850
	3,381,124	2,358,850
8. OTHER ASSETS		
Current		
Prepayments	4,924	5,009
	4,924	5,009
	4,924	5,009

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

	Note	2003 \$	2002 \$
9. OTHER FINANCIAL ASSETS			
Non-current - at Directors Valuation			
Shares in listed corporation	9a	276,132,216	239,496,829
Shares in other corporations	9b	7,270,551,769	6,099,546,616
		<u>7,546,683,985</u>	<u>6,339,043,445</u>
<p>a. Shares in listed corporation is a shareholding in The News Corporation Ltd, a media company.</p>			
<p>b. Shares in other corporations are shareholdings in:</p>			
Cruden Holdings Pty Limited		3,644,042,607	2,986,849,911
Cruden Investments Pty Limited		3,626,509,162	3,112,661,548
Tasman Asia Pacific Pty Limited		-	35,157
		<u>7,270,551,769</u>	<u>6,099,546,616</u>

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

	2003	2002
	\$	\$
10. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Land and buildings – at Directors Valuation	15,880,000	14,814,000
Plant and Equipment		
Plant and equipment – at cost	735,824	643,630
Less accumulated depreciation	511,754	415,528
	224,070	228,102
Furniture and Fittings		
Furniture and fittings – at cost	322,470	325,520
Less accumulated depreciation	273,435	256,465
	49,035	69,055
	16,153,105	15,111,157
Artworks		
Artworks – at Directors Valuation	9,552,315	10,853,533
Total Property, Plant and Equipment	25,705,420	25,964,690

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

	2003	2002
	\$	\$
11. PAYABLES		
Current		
Trade creditors and accruals	74,108	121,335
Unsecured loans	37,270	37,270
	111,378	158,605
	111,378	158,605
12. INTEREST BEARING LIABILITY		
Non-current		
Loan from subsidiary company: Cruden Investments Pty. Limited	196,043,635	188,025,411
	196,043,635	188,025,411
	196,043,635	188,025,411
13. PROVISIONS		
Current		
Employee benefits	33,375	30,363
	33,375	30,363
	33,375	30,363
Non-current		
Employee benefits	-	1,114
	-	1,114
	-	1,114
	<u>No.</u>	<u>No.</u>
Number of employees at year end	12	11
	12	11
	12	11
14. CONTRIBUTED EQUITY		
10 (2002: 10) fully paid ordinary shares	10	10
5 (2002: 5) "A" 5% convertible cumulative non-participating preference shares	5	5
Transfer from Capital Redemption Reserve of retained profits on redemption of shares	4,025	4,025
	4,025	4,025
	4,040	4,040

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

	Note	2003 \$	2003 \$
15. RESERVES			
Capital profits from assets acquired pre 20/9/85		38,542,846	48,754,313
Asset revaluation reserve		7,344,203,334	6,137,830,042
		7,382,746,180	6,186,584,355
Capital Profits Reserve			
Movements during the year:			
Opening balance		48,754,313	57,620,038
Transfer to retained profits	16	10,211,467	8,865,725
Closing balance		38,542,846	48,754,313
Asset Revaluation Reserve			
Movements during the year:			
Opening balance		6,137,830,042	-
Revaluation increments:			
Investments		1,206,576,147	6,130,309,628
Land and buildings		1,098,363	2,725,666
Artworks		(1,301,218)	4,794,748
Closing balance		7,344,203,334	6,137,830,042
16. RETAINED PROFITS			
Retained profits at the beginning of the financial year		994,342	-
Net loss attributable to members of the company		(5,484,572)	(2,366,167)
Transfer from Capital Profits Reserve	15	10,211,467	8,865,725
Dividends provided for or paid	4	(4,411,895)	(5,505,216)
Retained profits at the end of the financial year		1,309,342	994,342

KAYAREM PTY. LIMITED
ABN 85 008 483 261

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2004

	Note	2004 \$	2003 \$
Revenues from ordinary activities	2	7,954,413	8,901,002
Surplus from sale of artwork	2	2,636,410	-
Changes in inventories		167,060	1,022,274
Employee benefits expense		(376,714)	(332,768)
Depreciation and amortisation expenses		(175,264)	(158,951)
Borrowing costs expense		(11,801,827)	(12,672,913)
Crutching and shearing		(237,586)	(269,315)
Fertiliser and seeds		(227,007)	(210,191)
Fodder		(265,011)	(573,155)
Other expenses from ordinary activities		(1,286,219)	(1,190,555)
(Loss) from ordinary activities before income tax (benefit)	2	(3,611,745)	(5,484,572)
Income tax (benefit) relating to ordinary activities	3	-	-
Net (loss) from ordinary activities after income tax (benefit) attributable to members of the company	16	(3,611,745)	(5,484,572)
Total revenues, expenses and valuation adjustments attributable to members of the company recognised directly in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		(3,611,745)	(5,484,572)

The accompanying notes form part of these financial statements.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2004

	Note	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets	5	5,907,677	4,419,759
Receivables	6	12,366,418	52,738
Inventories	7	3,548,184	3,381,124
Other	8	5,197	4,924
TOTAL CURRENT ASSETS		21,827,476	7,858,545
NON-CURRENT ASSETS			
Other financial assets	9	9,028,782,169	7,546,683,985
Property, plant and equipment	10	17,579,342	25,705,420
TOTAL NON-CURRENT ASSETS		9,046,361,511	7,572,389,405
TOTAL ASSETS		9,068,188,987	7,580,247,950
CURRENT LIABILITIES			
Payables	11	102,248	111,378
Provisions	13	45,464	33,375
TOTAL CURRENT LIABILITIES		147,712	144,753
NON-CURRENT LIABILITIES			
Interest bearing liability	12	207,843,822	196,043,635
TOTAL NON-CURRENT LIABILITIES		207,843,822	196,043,635
TOTAL LIABILITIES		207,991,534	196,188,388
NET ASSETS		8,860,197,453	7,384,059,562

The accompanying notes form part of these financial statements.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2004
(Continued)

	Note	2004 \$	2003 \$
EQUITY			
Contributed equity	14	4,040	4,040
Reserves	15	8,858,600,526	7,382,746,180
Retained profits	16	1,592,887	1,309,342
TOTAL EQUITY		<u>8,860,197,453</u>	<u>7,384,059,562</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This Financial Report has been prepared for the members to provide a market value report of the company for the purpose of obtaining a mezzanine listing on the Bermuda Stock Exchange.

As the company is a non-reporting entity and as the financial report has been prepared for the specific purpose mentioned above no Accounting Standards or other mandatory professional reporting requirements have been applied in the preparation and presentation of the financial report.

All assets are stated at Directors Valuations at balance date and the surplus on revaluation of non-current assets has been credited to Asset Revaluation Reserve whilst the surplus on revaluation of the livestock has been credited to the Statement of Financial Performance.

The Director Valuations have been determined as follows:

- (i) Investments in shares traded in organised financial markets have been revalued to fair value, on the basis of the quoted market bid price as at balance date.
- (ii) Land and buildings have been based on independent valuations by registered valuers at or close to balance date.
- (iii) Inventories, comprising livestock and commodities, have been measured by independent valuers at balance date.
- (iv) Other monetary assets including cash, receivables and payables, are recognised at fair value on the basis that their historical cost carrying value is a reasonable approximate.
- (v) Investments in other corporations have been revalued to fair value on the basis of the companies percentage ownership in the underlying net assets. The accounting policies used to derive the fair value of the underlying net assets are consistent with the company's accounting policies stated elsewhere in Note 1 to the financial statements. Where the other corporations trade in their own right, as opposed to holding investments, the businesses have been valued at balance date by an independent valuer.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(v) (continued)

The Directors have relied upon the audited financial reports of the other corporations, where applicable, for identifying and determining their net assets at 30 June 2004.

The auditors of those companies, expressed unqualified audit opinions:

Subsidiary

Cruden Investments Pty Limited
Cruden (ACT) Pty Limited
Queensland Press Pty Limited and controlled entities

In addition, the Directors relied on the financial report of Cruden Holdings Pty Limited which was not audited but which was compiled in accordance with APS9 "Statement on Compilation of Financial Reports".

The comparative figures have also been restated at Directors Valuations.

Some of the assets would be subject to Australian Capital Gains Tax upon their disposal. However, as there is no intention to dispose of any significant assets which would attract a capital gains tax liability no provision for any Capital Gains Tax liability has been brought to account and no detailed calculations of what that liability could be have been done. If the assets had been sold at the values disclosed in these accounts then the capital gains tax liability may be in the order of \$1.2 billion.

In addition the value of the company in this financial report does not recognise any reduction in value that a potential purchaser may seek as a consequence of the tax, if any, a purchaser in its own right may incur on distributions to it of retained income and assets of the company at purchase date.

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

	2004	2003
	\$	\$
2. (LOSS) FROM ORDINARY ACTIVITIES		
Revenues from ordinary activities have been ascertained as follows:		
Gross Proceeds from:		
Primary Production Activities	1,961,613	1,093,923
Investment Income	5,849,528	7,781,817
Rental Income	20,008	25,262
Foreign Exchange Gains	81,496	-
Diesel Fuel Rebate	40,832	-
Sale of Assets	936	-
	7,954,413	8,901,002
Surplus from sale of artwork has been ascertained as follows:		
Proceeds from sale of artwork	12,188,725	-
Less book value of artwork sold	(9,552,315)	-
	2,636,410	8,901,002
(Loss) from ordinary activities before income tax has been determined after:		
(a) Expenses:		
Depreciation of property, plant and equipment	175,264	158,951
Remuneration of auditor		
- audit or review	14,000	11,000
- other services	24,106	20,693
(b) Revenue and Net Gains:		
Net gain/(loss) on disposal of property, plant and equipment	935	(10,599)
Net gain/(loss) on disposal of artwork	2,636,410	-
Net gain/(loss) on disposal of investments	-	(81,094)

KAYAREM PTY. LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

	2004	2003
	\$	\$
3. INCOME TAX (BENEFIT)/ EXPENSE		
The prima facie tax (benefit) on (loss) from ordinary activities before income tax is reconciled to the income tax (benefit) as follows:		
Prima facie tax on (loss) from ordinary activities before income tax at 30% (2003: 30%)	(35,465)	(1,645,372)
Less:		
Tax losses not brought to account	35,465	1,645,372
Income tax (benefit) attributable to (loss) from ordinary activities	-	-
	-	-
4. DIVIDENDS PAID OR PROPOSED		
Declared fully franked dividend of \$257,679 (2003: \$441,189) per ordinary share franked at tax rate of 30% (2003: 30%)	2,576,794	4,411,895
	2,576,794	4,411,895
Balance of franking account at year end adjusted for franking credits arising from payment or provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial year	15,641,663	14,829,867
	15,641,663	14,829,867
	15,641,663	14,829,867

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

	2004	2003
	\$	\$
5. CASH ASSETS		
Cash at bank	5,041,099	3,527,110
Cash on short term deposit	866,578	892,649
	5,907,677	4,419,759
 6. RECEIVABLES		
Current		
Trade debtors	152,939	-
Sundry debtors	12,182,721	-
GST clearing account	30,758	52,738
	12,366,418	52,738
 7. INVENTORIES		
Current – at Directors Valuation		
Livestock:		
Grazing	2,421,840	2,316,890
Horses	2,090	2,090
Wool	1,124,254	1,062,144
	3,548,184	3,381,124
 8. OTHER ASSETS		
Current		
Prepayments	5,197	4,924
	5,197	4,924

KAYAREM PTY. LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

	2004	2003
	\$	\$
9. OTHER FINANCIAL ASSETS		
Non-current – at Directors Valuation		
Shares in listed corporation	9a 325,986,181	276,132,216
Shares in other corporations	9b 8,702,795,988	7,270,551,769
	<u>9,028,782,169</u>	<u>7,546,683,985</u>
<p>a. Shares in listed corporation is a shareholding in The News Corporation Ltd, a media company.</p>		
<p>b. Shares in other corporations are shareholdings in:</p>		
Cruden Holdings Pty Limited	4,451,229,271	3,644,042,607
Cruden Investments Pty Limited	4,251,566,717	3,626,509,162
	<u>8,702,795,988</u>	<u>7,270,551,769</u>

KAYAREM PTY. LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

	Note	2004 \$	2003 \$
10. PROPERTY, PLANT AND EQUIPMENT			
Land and Buildings			
Land and buildings – at Directors Valuation		17,260,000	15,880,000
Plant and Equipment			
Plant and equipment – at cost		885,295	735,824
Less accumulated depreciation		622,913	511,754
		262,382	224,070
Furniture and Fittings			
Furniture and fittings – at cost		344,121	322,470
Less accumulated depreciation		287,161	273,435
		56,960	49,035
		17,579,342	16,153,105
Artworks			
Artworks – at Directors Valuation		-	9,552,315
		17,579,342	25,705,420
Total Property, Plant and Equipment		17,579,342	25,705,420

KAYAREM PTY. LIMITED
ABN 85 008 483 261

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

	2004	2003
	\$	\$
11. PAYABLES		
Current		
Trade creditors and accruals	101,200	74,108
Unsecured loans	1,048	37,270
	102,248	111,378
	102,248	111,378
12. INTEREST BEARING LIABILITY		
Non-current		
Loan from subsidiary company:		
Cruden Investments Pty. Limited	207,843,822	196,043,635
	207,843,822	196,043,635
	207,843,822	196,043,635
13. PROVISIONS		
Current		
Employee benefits	45,464	33,375
	45,464	33,375
	45,464	33,375
	<u>No.</u>	<u>No.</u>
Number of employees at year end	14	12
	14	12
	14	12
	\$	\$
14. CONTRIBUTED EQUITY		
10 (2003: 10) fully paid ordinary shares	10	10
5 (2003: 5) "A" 5% convertible cumulative non-participating preference shares	5	5
Transfer from Capital Redemption Reserve of retained profits on redemption of shares	4,025	4,025
	4,025	4,025
	4,040	4,040

KAYAREM PTY. LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2004

	2004	2003
	\$	\$
15. RESERVES		
Capital profits from assets acquired pre 20/9/85	35,564,292	38,542,846
Asset revaluation reserve	8,823,036,234	7,344,203,334
	<u>8,858,600,526</u>	<u>7,382,746,180</u>
Capital Profits Reserve		
Movements during the year:		
Opening balance	38,542,846	48,754,313
Transfer to retained profits	16 2,978,554	10,211,467
Closing balance	<u>35,564,292</u>	<u>38,542,846</u>
Asset Revaluation Reserve		
Movements during the year:		
Opening balance	7,344,203,334	6,137,830,042
Revaluation increments:		
Investments	1,480,909,901	1,206,576,147
Land and buildings	1,416,529	1,098,363
Artworks	(3,493,530)	(1,301,218)
Closing balance	<u>8,823,036,234</u>	<u>7,344,203,334</u>
16. RETAINED PROFITS		
Retained profits at the beginning of the financial year	1,309,342	994,342
Net loss attributable to members of the company	(3,611,745)	(5,484,572)
Transfer from Asset Revaluation Reserve	15 3,493,530	-
Transfer from Capital Profits Reserve	15 2,978,554	10,211,467
Dividends provided for or paid	4 (2,576,794)	(4,411,895)
Retained profits at the end of the financial year	<u>1,592,887</u>	<u>1,309,342</u>

SECTION 10. ADDITIONAL INFORMATION

10.1 Constitution and rights attaching to shares

As required
under
Appendix 2
Section IIIA
of the
Listing
Regulations

The rights attaching to ownership of the Shares are detailed in the constitution of Karlholt. The following is a summary of the major provisions:

Voting

Subject to any special rights or restrictions attaching to any special class of shares in the capital of the Company at a general meeting every member present in person or by proxy, attorney or representative has one vote on a show of hands and one vote for every share held on a poll.

General meetings

Two members present in person or by proxy or by attorney or by other duly authorised representative will be a quorum for a general meeting for all purposes.

Dividends

Subject to the rights of persons entitled to special rights as to dividends all dividends will be declared and paid to the members in proportion to the number of Shares held by them respectively and without regard to the amounts of the time being paid up thereon.

All dividends will be declared by the Directors. The Directors may fix the time for payment of a dividend but if no time is so fixed the dividend will be payable immediately on its declaration. The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company.

Issue of further shares

The shares of the Company for the time being unissued are under the control of the Directors who may allot or otherwise dispose of the shares to such persons, on such terms and conditions and at such times as the Directors think fit without regard to any implied rights of the holders of any of the issued shares of the time being to participate in such allotment or disposition.

Transfer of Shares

Any member may transfer all or any of its Shares by instrument in writing in any usual or common form or in any other form which the Directors may approve. The Directors may refuse to register a transfer of a Share if on registration of the transfer the number of members of the Company exceeds 50.

Winding up

If the Company is wound up the liquidator may with the sanction of a special resolution of the Company divide amongst the members in kind the whole or any part of the assets of the Company and may for that purpose set such value as he deems fair on any property to be divided in such a manner and may determine how the division will be carried out as between the members or different classes of members.

Directors

Unless otherwise determined by a general meeting the number of the Directors shall not be eight. At every annual general meeting each Director will retire from office and be eligible for re-election. A Director may hold any other office or place of profit under the Company in conjunction with the office of Director and on such terms as to remuneration and otherwise as the Directors or the Company in general meeting may arrange. A Director may hold any office or place of profit under any company in which the Company is a shareholder or otherwise interested and may contract with the Company either as vendor, purchaser or otherwise. A Director may vote in respect of any contract or arrangement in which he is interested and a Director may be appointed as the Director to be present at the affixing of the seal of the Company to any instrument despite the fact that he is interested in the contract or arrangement to which the instrument relates. Questions arising at any meeting of Directors will be decided by a majority vote.

Directors' indemnity

The Company, to the extent permitted by law, indemnifies each Director, agent, auditor, secretary and other officer for the time being at the Company out of the assets of the company against any liability incurred by him in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or where relief is granted to him by the Court in respect of any negligence, default, breach of duty or breach of trust.

Variation of rights

The rights, privileges and restrictions attaching to the Shares or to any other class of shares may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the share of that class. The necessary quorum for such separate general meetings is two persons at least holding or representing by proxy one-third of the issued shares of that class.

10.2 Material contracts

Details of the material contracts involved in the Proposed Transaction referenced in section 4.6 are summarised below. Please note that references to Kayarem in the names of the material contracts (rather than Karlholt) are because these contracts were executed prior to the change of name of the Company.

Agreements to acquire the Cruden and QPL Groups

(a) Call Option Deeds

News Corporation, News Corp US and the Murdoch Trusts have entered into the KSEA Call Option Deed dated 10 August 2004. News Corporation, News Corp US, Carlholt and the Murdoch Trusts have entered into the CISEA Call Option Deed dated 10 August 2004.

Under the Call Option Deeds, the Murdoch Trusts have granted to News Corp US and Carlholt an option to acquire 100% of the Cruden Group from the Murdoch Trusts on the terms and subject to conditions set out in Exchange Agreements which are attached to those call option deeds. The Murdoch Trusts have made certain representations and given certain warranties in connection with the Call Options Deeds. These representations and warranties mirror those to be given under the Exchange Agreements and are discussed in section 10.2(g) below. The Call Option Deeds are both governed by the laws of New South Wales.

News Corp US and Carlholt intend to exercise the call options if Shareholders and Optionholders approve the Proposed Transactions. News Corporation has the right, and intends, to require News Corp US and Carlholt to exercise the call options if News Corp US or Carlholt does not do so itself before the Second Court Date.

The effect of exercising the options is that the Exchange Agreements become binding upon the parties. The Exchange Agreements are conditional, amongst other things, upon the Schemes becoming Effective. Completion of the arrangements under the Exchange Agreements will take place on the same day as, but immediately prior to, the implementation of the Schemes and Capital Reduction.

(b) Exchange Agreements

The Murdoch Trusts currently own the Cruden Group through a 100% shareholding in Carlholt and certain minority holdings in Cruden Investments, a member of the Cruden Group.

By acquiring the Cruden Group, News Corp US indirectly acquires the shares in QPL it does not already own. The effect of the Exchange Agreements is to transfer to News Corp US the assets and liabilities described in sections 4.3 and 4.4 above.

The Kayarem Share Exchange Agreement is the agreement by which News Corp US acquires 100% of Carlholt. The CI Share Exchange Agreement is the agreement by which Carlholt acquires the minority interests in Cruden Investments not owned by Carlholt. Each of these agreements are expected to be executed on or about 26 October 2004. In combination, the Exchange Agreements enable News Corp US (and its subsidiary, Carlholt) to acquire 100% of the Cruden Group.

News Corp US's 100% interest in the Cruden Group will ultimately be held through Carlholt, a wholly owned Australian subsidiary of News Corp US. Following completion of the transactions contemplated by the Kayarem Share Exchange Agreement, the Carlholt shares transferred to News Corp US will be contributed to Carlholt (see description of the Carlholt Contribution Agreement in section 10.2(g) below). Under the CI Share Exchange Agreement the shares of the minority interests in Cruden Investments are transferred directly to Carlholt. Immediately following completion of that agreement, the Cruden Investment shares will be contributed by Carlholt to Carlholt (see description of the Kayarem Contribution Agreement in section 10.2(g) below).

The Kayarem Share Exchange Agreement and the CI Share Exchange Agreement contain fundamentally similar terms. The key terms and effect of both Exchange Agreements are described in this section.

On completion of the Exchange Agreements, each of the companies in the Cruden Group will change its name to a name which does not include "Kayarem" or "Cruden".

(c) What the Murdoch Trusts receive pursuant to the Exchange Agreements

The Murdoch Trusts are exchanging their shares in the Cruden Group for approximately 307.78 million shares of News Corp US Voting Common Stock and 61.93 million shares of News Corp US Non-Voting Common Stock. This number of shares was calculated as follows.

- In respect of News Corporation shares held directly by the Cruden Group, the Murdoch Trusts will receive shares of News Corp US Voting Common Stock and News Corp US Non-Voting Common Stock in the same exchange ratio as all other holders of News Corporation shares in the Reorganisation; that is, one share of Voting Common Stock for every two Ordinary Shares in News Corporation and one share of Non-Voting Common Stock for every two Preferred Shares in News Corporation.

The number of shares of News Corp US Non-Voting Common Stock received by the Murdoch Trusts will be reduced by approximately 15.83 million shares being that number of shares of Non-Voting Common Stock equal in value to (i) A\$326.49 million, the estimated net debt of Cruden Investments on closing of the Cruden/QPL Transaction that News Corp US will effectively assume, plus (ii) A\$33 million, being, for the purposes of calculating the number of shares of News Corp US Non-Voting Common Stock to be issued to the Murdoch Trusts, the assumed amount of stamp duty in excess of A\$18 million that may be payable by News Corp US on the Kayarem Share Exchange Agreement and which excess the Murdoch Trusts have agreed to pay.

For the purposes of determining the number of shares to be deducted, an agreed amount of A\$22.70 per share of News Corp US Non-Voting Common Stock has been used (being twice the agreed amount of A\$11.35 per News Corporation Preferred Share, to reflect the one for two exchange ratio). This agreed amount was calculated by reference to the closing price of News Corporation Preferred Shares during a 5 day period of trading (being 9 July 2004 to 15 July 2004) on the ASX.

To the extent actual net debt or actual stamp duty differ from the estimated amounts, the Exchange Agreements provide for a cash adjustment.

- In respect of the Cruden Group's 58.34% interest in News Corporation shares held by QPL, the Murdoch Trusts, on a pro rata basis, will receive shares of News Corp US Voting Common Stock and Non-Voting Common Stock in the same exchange ratio as all other holders of News Corporation shares in the Reorganisation.
- In respect of the Cruden Group's 58.34% interest in the QPL Publishing Business the Murdoch Trusts will receive approximately 59.72 million shares of Voting Common Stock. This number of shares has been calculated on the basis of a value of A\$2.95 billion for the entire QPL Publishing Business less estimated net debt of the QPL Group on closing of the Cruden/QPL Transaction of A\$487.93 million and adding A\$21.52 million which is the agreed value of the non-publishing assets of the QPL Group that are to remain in the QPL Group.

To the extent actual QPL Group net debt differs from the estimated amount, the Exchange Agreements provide for a cash adjustment.

The shares will be issued by News Corp US at an agreed issue price of A\$24.26 per share of Voting Common Stock (being twice the agreed amount A\$12.13 per News Corporation Ordinary Share, to reflect the one for two exchange ratio). This agreed amount was calculated by reference to the closing price of News Corporation Ordinary Shares during a five day period of trading (being 9 July 2004 to 15 July 2004) on the ASX.

- In respect of the remaining assets of the Cruden Group, the Murdoch Trusts will receive approximately 1.05 million shares of News Corp US Voting Common Stock. The number of shares has been calculated on the basis of an estimated value of A\$25.50 million for these assets, and using a price of A\$24.26 per share of News Corp US Voting Common Stock. To the extent that the amount of cash or receivables in the Cruden Group differs from the estimate, there will be a cash adjustment on completion.

The Cruden Group partially participates in News Corporation's dividend reinvestment plan, so the number of shares described above will increase between the date of this Prospectus and the implementation of the Schemes and Capital Reduction if a dividend is paid by News Corporation during that period. This is because the number of News Corporation shares being exchanged will increase following payment of the dividend.

The News Corp US shares will be issued to the Murdoch Trusts on completion of the Exchange Agreements, which will occur on the same day as, but immediately prior to, the implementation of the Schemes.

(d) Cash adjustments

The consideration payable under the Exchange Agreements has been calculated using agreed estimates of the amount of Cruden Group net debt and QPL Group net debt outstanding on completion of the transactions, the amount of stamp duty payable in connection with the Kayarem Share Exchange Agreement and the value of the cash and receivables in the Cruden Group on completion. To the extent that those estimates turn out to be incorrect, the Exchange Agreements provide for a cash payment equal to the difference between the estimated and actual amounts to be paid shortly after completion as an adjustment to the consideration payable.

In addition, the parties agreed for purposes of the Exchange Agreements to assign no value to the unsecured, interest free, limited recourse loan of \$7 million made by QPL to the purchaser of Dialect Solutions, Joe Cross Holdings Pty Limited (the sale of the Dialect Solutions Holdings Pty Limited Shares and the agreement by QPL to make the loan to the purchaser comprises one of the other assets and investments of the QPL Group described in section 4.4(d)). If and to the extent QPL receives repayments of amounts under that loan, News Corp US has agreed to pay the Murdoch Trusts 58.34% of those payments, by way of an increase in the consideration payable under the Exchange Agreements.

(e) Conditionality of the Exchange Agreements

The Exchange Agreements are conditional, amongst other things, upon all approvals being obtained under the Share Scheme and the Option Scheme and upon the Murdoch Trusts obtaining FIRB approval to acquire the News Corp US shares under the Exchange Agreements. Completion of the Exchange Agreements will occur on the same day as, but immediately prior to, the implementation of the Schemes.

(f) Other material terms of the Exchange Agreements

In summary, the other material terms of the Exchange Agreements are as follows:

Shares issued to the Murdoch Trusts

The Exchange Agreements transfer to News Corp US the entire legal and beneficial interest in all of the shares in Karlholt and certain minority interests held in Cruden Investments, so that, on completion of the transactions contemplated by those agreements, News Corp US (together with its subsidiary, Carlholt) will own the whole of the Cruden Group, free from any security interest.

The shares to be issued to the Murdoch Trusts by News Corp US will be issued at a time when it is a private company but shortly thereafter News Corp US will complete the Schemes and become a listed company trading on the NYSE, ASX and LSE. The shares to be issued to the Murdoch Trusts will be the same as the shares to be issued by News Corp US pursuant to the Share Scheme.

Indemnity of Cruden Group liabilities

Any known liability or obligation in the Cruden Group referable to the period prior to completion has been deducted from the consideration paid to the Murdoch Trusts in the Exchange Agreements. Any other liability of the Cruden Group in respect of this period is the subject of an ongoing indemnity from the Murdoch Trusts. The Murdoch Trusts have indemnified News Corp US for all liabilities of the Cruden Group arising prior to completion or relating to actions or inactions taken or not taken prior to completion, whether actual or contingent, direct or indirect, except those liabilities which have been expressly included in the calculation of the exchange consideration (and then to the extent of that inclusion). This indemnity remains available to News Corp US for six years from the date of implementation of the Schemes.

Tax indemnity

The Murdoch Trusts have also indemnified News Corp US for all taxes payable by the Cruden Group (i) in respect of the period up to and including the day of completion, (ii) incurred as a result of the execution of any document related to the Proposed Transaction, or (iii) as a result of any fact, circumstances, act or omission occurring during the period up to and including the day of completion unless such amounts have already been expressly included in the calculation of the exchange consideration. The indemnity also covers all Tax Costs (defined to include costs of disputing and litigating tax claims relating to a Cruden Group member). This tax indemnity remains available to News Corp US for seven years from the date of implementation of the Schemes.

Warranties

In addition to the indemnities described above, the Exchange Agreements contain a number of warranties about the Cruden Group and the QPL Group. These warranties are given with effect from 10 August 2004 (the date the call option deeds were executed) and again on the date of implementation of the Schemes.

The transferors under the Exchange Agreements are trustees of Australian trusts. The Exchange Agreements contain warranties as to the existence of the transferors, their capacity to enter into the agreements, their authority to transfer the shares in the Cruden Group to News Corp US (and to Carlholt) and the absence of any conflict in doing so.

The Murdoch Trusts provide a number of warranties relating to the shares being sold and the assets and liabilities of the Cruden Group. These warranties extend to title to the shares, the structure and solvency of the Cruden Group, the absence of any guarantees from or in favour of the Murdoch Trusts in relation to the Cruden Group, the taxation affairs of the Cruden Group, the absence of environmental liabilities, the accounts for the Cruden Group, the absence of any contingent or indirect liability other than as disclosed in the Cruden Group accounts, the conduct of the Cruden Group's business, title to the material assets of the Cruden Group and the absence of litigation or unsatisfied judgments.

The Cruden Group warranties also include confirmations that there is no restrictive covenant or agreement binding on any Cruden Group member, that the Cruden Group does not licence or use any intellectual property, that it has no employees other than those disclosed and that it has not undertaken any activity or owned or operated or conducted any business other than owning shares in News Corporation, QPL and other Cruden Group members since 1991 (except the ownership of the assets which were the subject of the pre-sale transactions).

The Murdoch Trusts provide a number of warranties relating to the QPL Group. These warranties extend to the structure of the QPL Group, the absence of any guarantees from or in favour of the Murdoch Trusts in relation to the QPL Group, the accounts for the QPL Group, the absence of any contingent or indirect liability other than as disclosed in the QPL Group accounts, the conduct of the QPL Group's business, title to all of the assets of the QPL Group, compliance by the QPL Group with their obligations at law and the absence of material litigation or unsatisfied judgments.

Because the News Group has had a very extensive relationship with the QPL Group, the warranties given with respect to the QPL business are not as comprehensive as those given with respect to the Cruden business. News Corporation has been a 41.66% shareholder in QPL since 1987 and has had a number of representatives on the board of QPL since that time. In addition, News Corporation interacts with QPL management on behalf of both shareholders and has, therefore, had day to day oversight of QPL and close involvement with its affairs. In those circumstances, it was agreed that News Corp US should not seek warranties as to operational matters of QPL – matters in which it has day to day involvement.

The Murdoch Trusts indemnify News Corp US, News Corporation and a number of other persons for any loss or liability incurred as a result of any breach or inaccuracy of any warranty it gives or representation it makes.

Ability to make claims under the warranties

The Exchange Agreements provide that News Corp US is able to claim for breach of warranty at any time in the period ending on 30 November 2006 for the general warranties. In the case of warranties relating to title, authority, environment and tax that period is extended to six years after completion or the relevant statute of limitations period, whichever is the earlier.

An individual claim may not be brought in respect of certain warranties relating to the Cruden Group for an amount less than A\$150,000 and until total claims exceed A\$1.5 million. These amounts are A\$300,000 and A\$3 million respectively in relation to claims relating to the QPL Group.

If a claim relates to QPL: (i) in respect of general warranties, the Murdoch Trusts are not liable for an amount in excess of 58.34% of the agreed value of the QPL Publishing Business only; (ii) in respect of the warranties that relate to structural liabilities of QPL (eg title to shares), the Murdoch Trusts are not liable for an amount in excess of 58.34% of the total QPL value (including News Corporation shares).

Maximum liability

The maximum amount recoverable from the Murdoch Trusts in relation to a breach of warranty or a claim under an indemnity is limited to the value of the consideration payable under the Exchange Agreements, which is approximately A\$8.87 billion, given that it includes the value attributed to the News Corporation shares held within the Cruden and QPL Groups.

Where a claim is made arising out of, or relating to, the QPL Group or the business of the QPL Group, the Murdoch Trusts will not be liable for more than 58.34% of the loss that may be suffered.

Termination

The Exchange Agreements may be terminated if a condition precedent is not fulfilled or waived by 31 December 2004 or, at the election of News Corp US (or Carlholt in the case of the CI Share Exchange Agreement), if any warranty given by the Murdoch Trusts or other material provision of the agreements is breached which either cannot be remedied or is not remedied by the Murdoch Trusts within a reasonable time. Termination is News Corp US's (or Carlholt's in the case of the CI Share Exchange Agreement) sole remedy prior to completion.

Exercise of rights

Because at the time of execution of the Call Option Deeds and the Exchange Agreements, News Corp US is controlled by the Murdoch Trusts, the parties have agreed that between the date of the Call Option Deeds and Completion they cannot amend, waive or enforce the terms of the Exchange Agreements without the consent of News Corporation, acting through the Special Committee. News Corporation is a third party beneficiary of the Call Option Deeds and the Exchange Agreements and, therefore, has the ability to enforce them.

Governing law

The Exchange Agreements are governed by the laws of the State of New South Wales, Australia, and each of the parties to them submits to the non-exclusive jurisdiction of the courts in that State. News Corp US has irrevocably appointed Carlholt as its agent to receive service of process in any action or proceeding in relation to those agreements.

Special provisions in relation to trustees

Because the transferors under the Kayarem Share Exchange Agreement are entering into the agreement in their capacity as trustees of certain trusts, the Kayarem Share Exchange Agreement contains provisions acknowledging the terms of the relevant trust deeds and restrictions on the ability of the transferors to deal with trust assets. The trustees have agreed that, until the seventh anniversary of completion, they will:

- not amend or waive any right of indemnity they have under a relevant trust or any right of access they have to the assets that constitute the trust fund of those trusts without the prior consent of News Corp US;
- diligently exercise any right of indemnity they have under the trust deeds in respect of their obligations and liabilities under the transaction documents;
- not amend, or permit the amendment of, the relevant trust deeds in a manner which limits their rights to perform and satisfy their obligations under the Kayarem Share Exchange Agreement; and
- not distribute or otherwise dispose of the trust fund assets, with some permitted exceptions. Significant exceptions permit the relevant trusts to:
 - (i) distribute or dispose of income of the trust fund;
 - (ii) distribute up to 10% of the value of the trust fund (as at the date of the agreement) during the first three years after completion;
 - (iii) distribute a total of 20% of the value of the trust fund (as at the date of the agreement) in the period ending on the seventh anniversary of completion, (including any distributions made in reliance on the preceding exception);
 - (iv) dispose of some or all of the trust fund if those assets comprise one class of News Corp US shares and the disposal results in the simultaneous acquisition by that trust of an equivalent dollar amount of another class of News Corp US shares (less reasonable transaction costs and taxes associated with such sales and purchases);
 - (v) dispose of assets in order to satisfy payment obligations owing to benefited parties under the Exchange Agreements or any other transaction document.

The Kayarem Share Exchange Agreement contains provisions which give to the trusts a limited right of reorganisation. Any such reorganisation is required to be accompanied by a deed of accession or novation so that News Corp US and the other benefited parties under the Kayarem Share Exchange Agreement have contractual privity with any party introduced as a result of the reorganisation. News Corp US is not entitled to withhold its

consent if the reorganisation does not materially adversely effect any of the rights and benefits of News Corp US or any other benefited party under the Kayarem Share Exchange Agreement or the ability of News Corp US to be satisfied out of the assets that constitute the relevant trust fund, such that the reorganisation does not put News Corp US in a materially worse position than it enjoyed under the Kayarem Share Exchange Agreement as at completion and the transferors deliver to News Corp US such evidence as News Corp US reasonably requires to satisfy itself of these requirements.

It is expected that the current trustees of the trusts will be replaced with US trustee companies on or shortly after implementation of the Schemes and Capital Reduction. If that occurs, News Corp US will receive, as a precondition to the change of trustees, executed deeds of novation and opinions from US counsel as to the validity and effectiveness of the substitution of trustees.

Trustee limitations

Subject to certain exceptions, the liability of the transferors under the Exchange Agreements is limited to the extent to which it can be satisfied out of the assets of the relevant Murdoch Trusts.

In addition, no natural person will have any personal liability in respect of the Exchange Agreements and other transaction documents other than in very limited circumstances, for example, acts of fraud.

Personal guarantee

The transferors under the CI Share Exchange Agreement also enter into the agreement in their capacity as trustees of certain trusts. It is expected that the assets of those trusts will be distributed to the beneficiaries shortly after completion of the Cruden/QPL Transaction.

Mr K R Murdoch has provided a personal guarantee of the obligations of the transferors under the CI Share Exchange Agreement.

Interaction between agreements

The substantially identical terms of the Exchange Agreements gives rise to potential overlap between the agreements.

The parties have agreed that in the case of such an overlap News Corp US (and Carlholt) will act on the instructions of the transferors under the Kayarem Share Exchange Agreement in the first instance and only if no instructions are given, on the instructions of the transferors under the CI Share Exchange Agreement.

If there is a breach of warranty, News Corp US might have claims under both Exchange Agreements. The parties have acknowledged News Corp US will not be entitled to recover, in aggregate, more than the total amount of its loss (or in the case of claims relating to QPL, 58.34% of its loss).

(g) The Carlholt agreements

News Corp US is acquiring the shares of News Corporation through its subsidiary Carlholt, a check the box entity for US tax purposes. The Reorganisation is structured in this way in order to facilitate the Post-Transaction Internal Restructuring.

Under the Carlholt Contribution Agreement, News Corp US will transfer to Carlholt the Carlholt shares it acquires under the Kayarem Share Exchange Agreement in return for the issue of a promissory note in an amount equal to the exchange consideration under the Kayarem Share Exchange Agreement.

Under the Kayarem Contribution Agreement, Carlholt will transfer to Kayarem the minority shares in Cruden Investments that it acquires under the CI Share Exchange Agreement in return for the issue of shares in Carlholt. At the time the agreement is completed, Carlholt will be a wholly owned subsidiary of Carlholt.

Each of the Carlholt Contribution Agreement and Kayarem Contribution Agreement will be executed on or about 26 October 2004.

10.3 Documents available for inspection

A copy of this Prospectus together with copies of the following documents are available for inspection at the offices of Appleby Spurling Hunter in Canon's Court 22 Victoria Street, PO Box HM1179, Hamilton HM EX from 9.00 am to 5.00 pm 25 October 2004 to 8 November 2004 (provided a prior appointment is made):

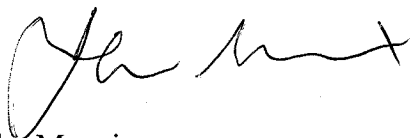
- (a) Constitution of Carlholt;
- (b) Audited consolidated accounts of Carlholt for the three financial years immediately preceding the date of this Prospectus;
- (c) Call Option Deeds;
- (d) Exchange Agreements; and
- (e) Carlholt Agreements.

As required
under
Appendix 2
Section IIIA
of the
Listing
Regulations

SECTION 11. AUTHORISATION

This Prospectus has been duly signed on behalf of the Directors of Karlholt on 22 October 2004 and each Director consents to the lodgment of the Prospectus with BSX.

Dated: 22 October 2004



John Mannix
Director, Karlholt Pty Limited

for and on behalf of:

Jesse Angelo
Richard Oldfield
David DeVoe
Arthur Siskind
John Mannix
Brian Fraser
Michael Ball
Mark Devereux