Newscorp Investments

Report and Financial Statements
30 June 2006

Registered number: 1437199

Contents

Directors' report
For the year ended 30 June 2006

The Directors present their annual report on the affairs of Newscorp Investments ("the Company") and its subsidiary undertakings (together "the Group") together with the financial statements and auditors' report for the year ended 30 June 2006.

Principal activities
The principal activities of the Group are the printing and publishing of national newspapers in the United Kingdom.

The Group's other activities include the publishing of books and magazines, and the provision of financial services to other undertakings in the News Corporation group.

An analysis of turnover, profit on ordinary activities before taxation and net assets employed for these activities is given in note 2 to the financial statements.

During the year, FRS 17 'Retirement Benefits' was adopted. The main impact of this accounting standard is to recognise the pension schemes' surplus or deficit on balance sheet. The prior year results have been restated where indicated to ensure the 2005 balances also fully reflect the requirements of FRS 17.

The subsidiary and associated undertakings primarily affecting the results or net assets of the Group in the year are listed in note 30 of the financial statements.

On 18 October 2005, the Group sold its investment in TSL Education Limited, a wholly owned subsidiary, for consideration of £230.0 million, resulting in a profit on disposal of £218.4 million. The results of this operation have been classified as discontinued due to the materiality of the disposal.

On 13 April 2006, the Group sold its investment in Sky Radio Limited for net consideration of £105.1 million, resulting in a profit on disposal of £80.6 million. Sky Radio Limited was the Group's only Radio Broadcasting operation and the disposal completed the exit from these activities. Due to the scale of the operations in relation to the Group as a whole, the disposal has not materially changed the nature and focus of the Group's operations, and has not been shown as discontinued on the face of the profit and loss account.

Business review
The Group generated turnover for the year of £1,470.1 million (2005 - £1,531.9 million). The Group's operating profit for the year was £134.0 million (2005 - £198.2 million). The Directors expect the general level of activity to continue for the foreseeable future.

The principal cause of the reduced turnover was a reduction in advertising revenue in the Newspaper division, due to difficult advertising markets throughout the period. Circulation revenue improved from the previous year, supported by cover price increases on *The Sun, the News of the World, The Times* and *The Sunday Times* part way through the year.

Harper Collins however saw turnover grow by £7.8 million with the highlight being sales of CS Lewis 'Chronicles of Narnia' which was particularly successful on the back of the film release of 'The Lion, The Witch and The Wardrobe'. Operating profit rose £0.3 million with operating profit adversely impacted by sales mix and other factors. In total, Harper Collins had a record breaking 47 titles on the Sunday Times best-sellers lists during the year, 6 of which were placed at number one. A total of 20 top literary prizes were also won by the Company during the year.

Following the announcement on 12 October 2004 of investment in new printing plants by the Newscorp Investments group, a review of production staffing levels has been undertaken. In October 2005 a selection process was completed for staffing requirements at the new printing plants. As a result, the newspaper production work force for the Newscorp Investments group is expected to be reduced by approximately two thirds.

Directors' report – continued

Principal risks and uncertainties facing the business

Advertising

The Group derives substantial revenues from the sale of advertising on its newspapers and inserts. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns. A change in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities and impact the advertising revenue of the Group.

E-Business

The Internet and the growth of the Digital Age pose a risk to the Group's principal activities as advertisers move to on-line methods to promote business, potentially impacting the advertising revenue of the Group. Development of The Sun and The Times websites is underway to reduce this uncertainty alongside the Group's recent strategy of Internet acquisitions such as Milkround Online and PropertyFinder.

Credit risk

The Group performs credit checks on all new customers, requesting advance payment when credit ratings are not sufficient. Formal processes are in place to ensure overdue accounts are followed up on a timely basis, with accounts blocked for further purchases when overdue.

Treasury risk

The treasury team manage the Group's financial risks. The Group finances and manages its activities with a combination of loans, cash and short-term deposits. Overdrafts are used to satisfy short-term cash flow requirements. Due to the nature of the organisation, exchange rate risk is managed internally due to a presence by Group companies in the main trading countries.

Results and dividends

The Group's profit for the financial year after taxation and minority interests was £269.8 million (2005 – £98.3 million). The Directors do not recommend a dividend (2005 – £Nil).

Environment

Newscorp Investments recognises the importance of its environmental responsibilities. The Group continues to ensure it exceeds Government targets set for recycled content for UK newspapers. Waste products are also handled in an environmental way and recycled where possible. Ink cartridges from all PC printers are recycled and in office buildings, energy efficient lighting is used.

The new print sites in Glasgow, Broxbourne and Knowsley have been designed with environmental issues in mind. The new print presses will generate less waste and use less energy. The Group continues to support further initiatives to consider the environment and to increase public awareness.

Employment of disabled persons

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

Employee consultation

There are over 5,800 staff working in the Group. They are our most valuable asset. During the past year we have continued to work with considerable success on ways of involving more staff in the decision making process.

There is a staff association ("NISA") at each of the three main newspaper division operating sites – our head office at Wapping, and the plants at Knowsley on Merseyside and Kinning Park in Glasgow. These bodies are made up of democratically elected representatives of the workforce. There are 24 members of NISA at Wapping, 8 members at Knowsley and 8 members at Kinning Park.

Directors' report – continued

Employee consultation - continued
The Association is the representative body, which formally negotiates on behalf of staff with News International management. The Joint Executive Committee of NISA receives information and consultation on the evolution of work organisation, training of employees, major operational issues, development and promulgation of Company policies, significant Company initiatives and in fulfilling the Company's legal obligations on subjects such as redundancy or transfers of undertakings.

Directors and their interests
The Directors of the Company are as follows:

S. W. Daintith	(appointed 19 September 2005)
C. A. Fairweather	(resigned 28 February 2006)
L. F. Hinton	
S. F. Hutson	
R. M. Linford	(resigned 30 January 2006)
K. R. Murdoch	

The Articles of Association do not require Directors to retire either by rotation or in the year of appointment.

Except as noted above, all Directors served throughout the year and are still Directors at the date of this report.

News Corporation has indemnified one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' Report.

Charitable and political contributions
Charitable contributions made by the Group in the financial year amounted to £1.3 million (2005 – £1.3 million). There were no political contributions (2005 – £Nil).

Creditors payment policy
The Group's policy is to pay suppliers at the end of the month following that in which the supplier's invoice is received. The policy is made known to the staff who handle payments to suppliers and is made known to all suppliers on request. The number of suppliers' days outstanding at the year end was 42 days (2005 - 42 days).

Auditors
The Directors will place a resolution before the Annual General Meeting to reappoint Ernst & Young LLP as auditors for the ensuing year.

Directors' report – continued

Statement of Directors' responsibilities
Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement of disclosure of information to auditors
The Directors who were members of the Board at the time of approving the Director's Report are listed on page 3. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

Steve Dain S

S. W. Daintith
Director

1 Virginia Street
London
E98 1XY

16 November 2006

Independent Auditors' report
To the members of Newscorp Investments

We have audited the Group and parent company financial statements (the "financial statements") of Newscorp Investments for the year ended 30 June 2006 which comprise the Consolidated Profit and Loss account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets and the related notes numbered 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 30 June 2006 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London
16 November 2006

Consolidated profit and loss account

For the year ended 30 June 2006

	Notes	2006 £m	2005 Restated £m
Turnover	2	1,471.2	1,531.9
Continued operations		1,463.0	1,477.3
Discontinued operations		8.2	54.6
Less share of turnover of joint venture		(1.1)	-
Group turnover		1,470.1	1,531.9
Cost of sales	3	(819.1)	(870.2)
Gross profit		651.0	661.7
Other operating expenses (net)	3	(517.0)	(463.5)
Group operating profit		134.0	198.2
Continued operations		132.8	175.0
Discontinued operations		1.2	23.2
Share of operating loss in joint venture		(0.7)	-
Total operating profit: group and share of joint venture		133.3	198.2
Profit on disposal of fixed asset investments	4	299.0	-
Exceptional items	5	(56.8)	-
Profit on ordinary activities before finance charges		375.5	198.2
Investment income and interest receivable			
- group	6	31.7	29.1
- associate	6	4.3	-
Interest payable and similar charges	6	(70.3)	(79.5)
Exceptional interest	5	(4.7)	-
Profit on ordinary activities before taxation	2, 7	336.5	147.8
Taxation on profit on ordinary activities	10	(15.7)	(34.8)
Profit on ordinary activities after taxation		320.8	113.0
Minority interests		(51.0)	(14.7)
Profit for the financial year	11, 21	269.8	98.3

Details of movements on reserves are shown in note 21.

All operations of the Group continued throughout the year with the exception of the discontinued operations as detailed in note 4.

The notes to the financial statements are an integral part of this consolidated profit and loss account.

Consolidated statement of total recognised gains and losses

For the year ended 30 June 2006

	Notes	2006 £m	2005 Restated £m
Retained profit for the financial year		266.2	98.3
Share of joint venture loss for the year		(0.7)	-
Share of associate profit for the year		4.3	-
	21	269.8	98.3
Actuarial gains/(losses) recognised in the pension schemes	9	10.4	(19.6)
Deferred tax on actuarial gains/(losses) recognised in the pension schemes		(3.1)	5.9
(Loss)/gain on foreign currency translation		(14.4)	2.7
Minority interest		1.0	1.5
Total recognised gains and losses for the financial year			
- Group		260.1	88.8
- Joint venture		(0.7)	-
- Associate		4.3	-
Prior year adjustment – pension scheme	21	(71.4)	-
Total gains recognised since last annual report and financial statements		192.3	88.8

The prior year adjustment relates to the adoption of FRS 17 'Retirement Benefits' as detailed in the Directors Report.

The notes to the financial statements are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated balance sheet

As at 30 June 2006

	Notes	2006	2005 Restated
		£m	£m
Fixed assets			
Intangible assets	12	739.2	844.1
Tangible assets	13	725.9	675.7
Investments	14	7,548.7	7,549.0
Interests in joint ventures			
- share of gross assets	14	8.2	-
- share of gross liabilities	14	(1.6)	-
Investment in associate	14	409.4	-
		9,429.8	9,068.8
Current assets			
Stocks	15	48.0	53.0
Debtors - due within one year	16	267.1	236.7
- due after one year	16	106.0	105.7
Cash at bank and in hand	17	239.1	451.7
		660.2	847.1
Creditors: Amounts falling due within one year	18	(1,500.6)	(1,580.7)
Net current liabilities	26	(840.4)	(733.6)
Total assets less current liabilities		8,589.4	8,335.2
Creditors: Amounts falling due after more than one year	19	(71.2)	(136.8)
Provisions for liabilities and charges	20	(122.3)	(88.4)
Net assets excluding pension liability		8,395.9	8,110.0
Pension liability	9	(46.4)	(73.6)
Net assets including pension liability	2	8,349.5	8,036.4

Consolidated balance sheet continued
As at 30 June 2006

	Notes	2006	2005 Restated
		£m	£m
Capital and reserves			
Called-up equity share capital	21	9,190.5	9,190.5
Equity reserves:			
Revaluation reserve	21	79.5	79.5
Other reserves	21	1,000.9	1,000.9
Profit and loss account	21	(2,964.7)	(3,228.4)
Equity shareholders' funds	21	7,306.2	7,042.5
Equity minority interests		1,043.3	993.9
		8,349.5	8,036.4

The notes to the financial statements are an integral part of this consolidated balance sheet.

The financial statements on pages 6 to 41 were approved by the Board of Directors on 16 November 2006 and signed on its behalf by:

S. W. Daintith
Director

16 November 2006

Company balance sheet
As at 30 June 2006

	Notes	2006 £m	2005 £m
Fixed assets			
Investments	14	9,190.9	9,190.9
Current assets			
Debtors	16	-	0.1
Net current assets	26	-	0.1
Net assets		9,190.9	9,191.0
Capital and reserves			
Called-up equity share capital	21	9,190.5	9,190.5
Equity reserves:			
Other reserves	21	651.3	651.3
Profit and loss account	21	(650.9)	(650.8)
Equity shareholders' funds	21	9,190.9	9,191.0

The notes to the financial statements are an integral part of this balance sheet.

The financial statements on pages 6 to 41 were approved by the Board of Directors on 16 November 2006 and signed on its behalf by:

S. W. Daintith
Director

16 November 2006

Notes to the financial statements
30 June 2006

1 Principal accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Principles, modified to include the revaluation of certain fixed assets.

The principal accounting policies have been applied consistently throughout the year and the preceding year. The Company has adopted the following new accounting standards issued by the UK Accounting Standards Board:

FRS 17 'Retirement Benefits', FRS 21 'Events after the balance sheet date', the presentation requirements of FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 28 'Corresponding Amounts'. The impact of adopting the FRS17 standard has been reflected throughout the financial statements, and the comparatives have been restated where appropriate.

The Company is not required to adopt the following standards issued during the year: FRS 20 'Share-based Payment'; FRS 22 'Earning per Share'; FRS 23 'The Effects of Changes in Foreign Exchange Rates'; FRS 24 'Financial Reporting in Hyperinflationary Economies'; the disclosure requirements of FRS 25 'Financial Instruments: Disclosure and Presentation'; FRS 26 'Financial Instruments: Measurement'; FRS 27 'Life Assurance' and FRS 29 'Financial Instruments: Disclosures'.

Basis of consolidation
The Group financial statements are made up to 30 June 2006 and consolidate the financial statements of Newscorp Investments and all its subsidiary undertakings.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group financial statements, associates are accounted for using the equity method.

The results of subsidiary undertakings acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Certain prior year amounts have been reclassified to conform to the current year presentation.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

No profit and loss account is presented for the Company, as provided by section 230 of the Companies Act 1985. The loss for the financial year of the Company was £0.1 million (2005 - £0.1 million).

Going concern
The financial statements are prepared on the going concern basis because News Corporation has committed to provide financial support to the Group for the foreseeable future to enable it to meet its liabilities as they fall due.

Cash flow statement
The Group is exempt from the requirement of FRS 1 'Cash Flow Statements' to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary undertaking of News Corporation, which prepares consolidated financial statements which are publicly available, in which a consolidated cashflow statement is included.

Participating interests and joint ventures
Undertakings, not being subsidiary undertakings, in which the Group has a participating interest (usually comprising not less than 20% of the voting capital) and over which it exerts significant influence, are treated as associates or joint ventures. The consolidated profit and loss account includes the appropriate share of these undertakings' profits or losses for the year and the Group's share of post acquisition retained profits or losses and reserves is added to the cost of investment in the consolidated balance sheet.

Notes to the financial statements – continued

1 Principal accounting policies – continued

Other participating interests over which the Group does not exert significant influence are accounted for as investments.

Foreign currency
Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

For the purpose of consolidation, the closing rate method is used to translate balance sheets of subsidiary undertakings maintained in foreign currencies and the related translation gains or losses are shown as a movement on reserves. Average exchange rates ruling during the year are used to translate profit and loss accounts of those subsidiary undertakings. When foreign currency borrowings are used to finance foreign investments, the borrowings and investments are translated at the rates of exchange prevailing at the year-end and the resulting exchange differences are shown as a movement on reserves.

Turnover
Turnover is the net amount receivable by the Group in the ordinary course of its business, excluding value added tax, trade discounts, other sales related taxes and transactions within the Group. Estimates of future returns are provided for at the time of sale of the publications to which they relate.

Turnover and costs in respect of barter transactions for advertising are recognised only where there is persuasive evidence of the value at which, if it had not been exchanged, the advertising would have been sold for cash in a similar transaction.

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development
Research and development expenditure is written off as incurred.

Pension costs and post retirement medical benefits
The employees of the Group participate in either a defined contribution or a defined benefit pension scheme, both of which require contributions to be made to separately administered funds.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

For defined benefit schemes the Group's portion of past and current service cost, and interest cost net of expected return on assets in the plans are charged to the profit and loss during the year. Actuarial gains and losses are

Notes to the financial statements – continued

1 Principal accounting policies – continued

recognised directly in full in the statement of total recognised gains and losses such that the consolidated balance sheet reflects the schemes' full surplus or deficit at the balance sheet date.

The Group has agreed to provide additional post-retirement healthcare benefits to certain current and former employees. The estimated cost of providing such benefits is charged against profits on a systematic basis over the employees' working lives within the Group.

Goodwill
Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life which is considered to be 20 years or less. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods expected to benefit from its consumption.

Publishing rights and titles
Newspaper publishing rights and titles are stated at cost or valuation less any provision made for impairment within intangible assets. No amortisation is provided on the publishing rights and titles since, in the opinion of the Directors, these assets have indefinite useful economic lives. An impairment review is performed at each year end and provision is made for any impairment.

The Directors believe that the publishing rights and titles have a sufficiently well established position in the market place to be defended against threats arising from current competitors, potential new entrants and potential technological changes in the industry.

Book publishing rights are based on the Directors' estimation of fair value at the date of acquisition and are amortised on a straight line basis over 5 - 10 years. An impairment review is performed at each year end and provision is made for any impairment.

Licences
Radio Licences are included at cost and amortised in annual instalments over the remaining period of the licence.

The amount capitalised is based on the aggregate of the licence fees estimated to be payable over the life of the licence, discounted to their fair value at inception.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment unless otherwise stated.

Where borrowings are used to finance capital projects, interest incurred prior to the completion of those projects is capitalised.

Other fixed assets are depreciated over their expected useful economic lives or anticipated length of use by the Group in order to write off their cost less estimated residual value. Residual value is calculated on prices prevailing at the date of acquisition. The principal rates, using the straight-line basis, are as follows:

Freehold and leasehold land	- No depreciation charged
Freehold buildings	- 50 years
Leasehold buildings	- Shorter of the length of lease or 50 years
Plant, motor vehicles, fixtures and fittings	- 1 year to 33 years

Notes to the financial statements - continued

1 Principal accounting policies – continued

Assets in course of construction are not depreciated. When such assets come into use they are transferred to the appropriate fixed asset category and depreciated accordingly.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments
Investments are stated at cost or valuation less provision for impairment.

Stocks and work-in-progress
Stocks are stated at the lower of cost and net realisable value. Cost represents purchase cost of stock.

Net realisable value is based on estimated selling price, less further costs of disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Leases
The Group as Lessee
Rentals payable under operating leases are charged on a straight-line basis to the profit and loss account over the lease term.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

The Group as Lessor
Income from assets leased under finance leases is credited to the profit and loss account over the period of the lease so as to give a constant rate of return on funds invested. The net amount receivable under finance leases is included in debtors.

Capital instruments
Equity shares are reported in shareholders' funds. Other capital instruments, such as preference shares, are presented following their substance rather than legal form in accordance with FRS 25 'Financial Instruments: Presentation and Disclosure'. A liability is recognised in the balance sheet when there is an obligation to transfer economic benefits present. Where such criteria do not exist, capital instruments continue to be recognised as shareholders' funds. The finance cost element recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Revaluation reserve
Surpluses arising on the revaluation of fixed assets are transferred to a revaluation reserve. Where assets, which have been revalued, are sold, the previous revaluation surplus is transferred directly to realised reserves (profit and loss account) and the difference between sale price and depreciated revalued amount is recorded in arriving at profit on ordinary activities before taxation.

The Group has taken advantage of the transitional provisions of FRS 15 'Tangible fixed assets', and retained the book amounts of certain freehold properties, which were revalued prior to implementation of that standard. The properties were last revalued at 30 June 1988 and the valuations have not subsequently been updated.

Related party transactions
As a wholly owned subsidiary undertaking of News Corporation, whose financial statements are publicly available, the Group has taken advantage of the exemption in FRS 8 'Related Party Disclosures', not to disclose transactions with other members of the group headed by News Corporation.

Notes to the financial statements – continued

2 Segmental information

a) Turnover and profit on ordinary activities before taxation

Turnover by class of business:

	Turnover					
	2006			2005 Restated		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Newspaper printing and publishing	1,076.3	8.2	1,084.5	1,061.4	54.6	1,116.0
Television and radio broadcasting	31.1	-	31.1	45.2	-	45.2
Book publishing	242.2	-	242.2	228.6	-	228.6
Other activities	113.4	-	113.4	142.1	-	142.1
	1,463.0	8.2	1,471.2	1,477.3	54.6	1,531.9

Profit on ordinary activities before taxation by class of business:

	Profit/(loss) on ordinary activities before taxation					
	2006			2005 Restated		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Newspaper printing and publishing	102.1	1.3	103.4	136.2	23.6	159.8
Television and radio broadcasting	(3.7)	-	(3.7)	(2.8)	-	(2.8)
Book publishing	11.3	-	11.3	11.4	-	11.4
Other activities {1}	(12.0)	-	(12.0)	(20.6)	-	(20.6)
	97.7	1.3	99.0	124.2	23.6	147.8
Redundancy charges	(61.5)	-	(61.5)	-	-	-
Profit on disposal of subsidiary undertakings	299.0	-	299.0	-	-	-
	335.2	1.3	336.5	124.2	23.6	147.8

{1} Other activities and unallocated costs, including interest expense net of other investment income.

Notes to the financial statements – continued

2 Segmental information - continued

a) Turnover and profit on ordinary activities before taxation - continued

Substantially all turnover by origin arose in the UK.

Turnover by destination:

	2006 Continuing £m	2006 Discontinued £m	2006 Total £m	2005 Restated Continuing £m	2005 Restated Discontinued £m	2005 Restated Total £m
United Kingdom	1,288.9	8.2	1,297.1	1,298.0	54.6	1,352.6
Rest of Europe	70.7	-	70.7	86.5	-	86.5
Other	103.4	-	103.4	92.8	-	92.8
	1,463.0	8.2	1,471.2	1,477.3	54.6	1,531.9

Profit on ordinary activities before taxation by origin:

	Profit/(loss) on ordinary activities before taxation					
	2006 Continuing £m	2006 Discontinued £m	2006 Total £m	2005 Restated Continuing £m	2005 Restated Discontinued £m	2005 Restated Total £m
United Kingdom	85.6	1.3	86.9	114.7	23.6	138.3
Rest of Europe	3.9	-	3.9	5.2	-	5.2
Other	8.2	-	8.2	4.3	-	4.3
	97.7	1.3	99.0	124.2	23.6	147.8
Redundancy charges	(61.5)	-	(61.5)	-	-	-
Profit on disposal of subsidiary undertakings	299.0	-	299.0	-	-	-
	335.2	1.3	336.5	124.2	23.6	147.8

Notes to the financial statements - continued

2 Segmental information - continued

b) Net assets

Net assets by class of business:

	2006			2005 Restated		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Newspaper printing and publishing	4,385.1	1.5	4,386.6	4,018.1	35.5	4,053.6
Television and radio broadcasting	0.4	-	0.4	(4.4)	-	(4.4)
Book publishing	(112.9)	-	(112.9)	(106.4)	-	(106.4)
Other activities and unallocated net assets, including investments	4,075.4	-	4,075.4	4,093.6	-	4,093.6
	8,348.0	1.5	8,349.5	8,000.9	35.5	8,036.4

Net assets by geographical segment:

	2006			2005 Restated		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
United Kingdom	6,942.5	1.5	6,944.0	4,537.1	35.5	4,572.6
Rest of Europe	261.3	-	261.3	478.2	-	478.2
North America	16.6	-	16.6	2,267.8	-	2,267.8
Other	1,127.6	-	1,127.6	717.8	-	717.8
	8,348.0	1.5	8,349.5	8,000.9	35.5	8,036.4

Notes to the financial statements - continued

3 Cost of sales and other operating expenses (net)

	2006			2005 Restated		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Cost of sales	814.7	4.4	819.1	857.1	13.1	870.2
Distribution costs	76.9	0.6	77.5	65.5	10.6	76.1
Administrative expenses	437.5	2.0	439.5	380.5	6.9	387.4
	514.4	2.6	517.0	446.0	17.5	463.5

4 Profit on disposal of fixed asset investments

	2006 £m	2005 £m
Profit on sale of investment in subsidiaries	299.0	-

On 18 October 2005, the Group sold its investment in TSL Education Limited, a wholly owned subsidiary, for consideration of £230.0 million, resulting in a profit on disposal of £218.4 million. Due to the scale of the operations in relation to the Group as a whole, the disposal has materially changed the nature and focus of the Group's operations, and has been shown as discontinued on the face of the profit and loss account.

On 13 April 2006, the Group sold its investment in Sky Radio Limited for net consideration of £105.1 million, resulting in a profit on disposal of £80.6 million. Sky Radio Limited was the Group's only Radio Broadcasting operation and the disposal completed the exit from these activities. Due to the scale of the operations in relation to the Group as a whole, the disposal has not materially changed the nature and focus of the Group's operations, and has not been shown as discontinued on the face of the profit and loss account.

Notes to the financial statements – continued

5 Exceptional items

	2006 £m	2005 £m
Redundancy charges	56.8	-
Interest on unwinding of redundancy provision	4.7	-
	61.5	-

Following the announcement on 12 October 2004 of investment in new printing plants by the Newscorp Investments group, a review of production staffing levels has been undertaken. In October 2005 a selection process was completed for staffing requirements at the new printing plants. As a result, the newspaper production work force for the Newscorp Investments group is expected to be reduced by approximately two thirds.

During the year charges made within the Group include a discounted provision for redundancy costs relating to employees and interest on unwinding of the discounted provision for redundancy.

The redundancy provision is included in note 20.

A deferred tax asset of £17.4 million has been provided in respect of the redundancy provision after current year utilisation and is included within note 20.

6 Finance charges

Investment income and interest receivable

	2006 £m	2005 £m
Group		
Income from loans to fellow subsidiary undertakings of the ultimate parent company	0.7	5.5
Other interest receivable and similar income	31.0	23.6
Associate		
Other interest receivable and similar income	4.3	-
	36.0	29.1

Interest payable and similar charges

	2006 £m	2005 Restated £m
Interest on loans from fellow subsidiary undertakings of the ultimate parent company	67.5	75.3
Other loans	2.8	3.9
Other interest payable	-	0.3
	70.3	79.5

Notes to the financial statements – continued

6 Finance charges - continued

Finance charges (net)

	2006 £m	2005 Restated £m
Investment income and interest receivable	36.0	29.1
Less: Interest payable and similar charges	(70.3)	(79.5)
Group	(34.3)	(50.4)

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

		2006 £m	2005 £m
Depreciation and amounts written off tangible fixed assets	- owned	80.9	67.9
	- held under finance leases	16.7	11.6
Amortisation of publishing rights and titles, licences and goodwill		8.7	16.1
Impairment of goodwill		5.0	-
Operating lease rentals	- plant and machinery	4.8	4.3
	- other	14.9	15.5
Auditors' remuneration	- audit	1.5	1.4
	- other services	0.1	0.1

8 Staff costs

Employee costs of the Group during the year including Executive Directors comprised:

	2006 £m	2005 Restated £m
Wages and salaries	287.3	264.5
Social security costs	26.9	24.8
Other pension costs (see note 9)	28.8	19.8
	343.0	309.1

Notes to the financial statements - continued

8 Staff costs - continued

The average number of persons employed by the Group during the year was as follows:

	2006 Number	2005 Number
Newspaper printing and publishing	3,878	4,101
Television and radio broadcasting	172	184
Book publishing	1,348	1,336
Other activities	418	437
	5,816	6,058

Directors' remuneration:

	2006 £m	2005 £m
Emoluments	2.7	2.4

The above amounts for remuneration include the following in respect of the highest paid Director:

	2006 £m	2005 £m
Emoluments	2.1	2.0

The number of Directors who were members of the pension schemes was as follows:

	2006 Number	2005 Number
Defined benefit schemes	2	1

The accrued pension entitlement under the defined benefit schemes of the highest paid Director at 30 June 2006 was £Nil (2005 - £Nil).

Certain Directors are also remunerated by the parent company and fellow subsidiary undertakings for services as officers of those companies.

Notes to the financial statements – continued

9 Pensions

a) Impact on financial statements

The Group operated nine pension schemes during the year.

- The major scheme, which covers the majority of newspaper executives, staff and works personnel, is a UK hybrid defined contribution scheme.
- The remainder of UK non-book publishing employees are covered by two defined benefit schemes.
- The book publishing employees are covered by three defined benefit schemes for UK employees and three defined contribution schemes for Australian employees.

The latest actuarial valuations range from 1 July 2003 to 30 June 2006. The actuarial valuations have been updated as necessary at 30 June 2006 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17 'Retirement Benefits'. *Investments have been valued for this purpose, at fair value.*

The assets of the pension schemes are held in separate externally administered trust funds. The pension costs relating to the defined benefit schemes are assessed in accordance with the advice of a qualified actuary using the projected unit method. The defined benefit schemes are valued by an independent qualified actuary on at least a triennial basis.

The total pension costs for the Group are as follows:

	2006 £m	2005 Restated £m
Defined contribution schemes	22.5	14.5
Defined benefit schemes	6.3	5.3
	28.8	19.8

b) The principal assumptions used by the actuary were:

	2006 %	2005 %	2004 %
Rate of increase in salaries	4.4	4.3	4.4
Rate of increase in pension payment	3.0	2.8	3.0
Discount rate	5.3	5.0	5.5
Inflation assumption	3.0	2.8	3.0

Notes to the financial statements – continued

9 Pensions – continued

b) The fair value of the assets in the schemes, the present value of the liabilities in the schemes and the expected rate of return at the balance sheet date were:

	2006	2006	2005	2005 Restated	2004	2004 Restated
	%	£m	%	£m	%	£m
Equities	8.1	202.0	8.0	165.3	8.5	139.3
Bonds	4.9	104.0	4.8	85.6	5.5	59.3
Other	4.4	4.5	4.0	1.1	5.6	8.6
Total market value of assets		310.5		252.0		207.2
Present value of scheme liabilities		(376.8)		(357.2)		(308.6)
Deficit in the schemes		(66.3)		(105.2)		(101.4)
Related deferred tax asset		19.9		31.6		30.4
Net pension deficit		(46.4)		(73.6)		(71.0)

The contribution rate for 2006 ranged from 21.7% - 67.2% of pensionable earnings and the agreed contribution rate for next year is 21.7% - 67.2% of pensionable earnings.

Analysis of the amount charged to operating profit

	2006 £m	2005 £m
Total operating charge	6.3	5.3

Analysis of the amount charged to net finance charges

	2006 £m	2005 £m
Expected return on pension schemes assets	(18.1)	(16.4)
Interest on pension scheme liabilities	17.6	16.7
Net return	(0.5)	0.3

Notes to the financial statements – continued

9 Pensions – continued

b) Analysis of the amount recognised in the statement of total recognised gains and losses

	2006 £m	2005 £m
Actual return less expected return on pension schemes assets	11.1	16.3
Experience losses arising on schemes liabilities	(4.5)	(1.6)
Changes in assumptions underlying the present value of the schemes liabilities	3.8	(34.3)
Amount recognised in statement of total recognised gains and losses	10.4	(19.6)

Movement in schemes deficit during the year

	2006 £m
Beginning of the year	(105.2)
Total operating charge	(6.3)
Contributions	34.3
Net finance income	0.5
Actuarial gains	10.4
End of the year	(66.3)

History of experience gains and losses

	2006	2005	2004	2003
Difference between the expected and the actual return on scheme assets:				
amount (£ million)	11.1	16.3	5.0	(23.1)
percentage of scheme assets	3.6%	6.4%	2.4%	(12.6%)
Experience gains and losses on scheme liabilities:				
amount (£ million)	(4.5)	(1.6)	(5.6)	(5.1)
percentage of the present value of the scheme liabilities	(1.2%)	(0.4%)	(1.8%)	(1.7%)
Total amount recognised in the statement of total recognised gains and losses:				
amount (£ million)	10.4	(19.6)	5.8	(53.5)
percentage of the present value of the scheme liabilities	2.8%	(5.5%)	1.9%	(17.7%)

9 Pensions – continued

c) Unapproved pension arrangements
The Finance Act 1989 reduced the maximum approvable pensionable salary to members who joined the defined benefit scheme after June 1989. This led to the setting up of two multi-employer unapproved retirement benefit arrangements. These arrangements will pay promised pension benefits for salary in excess of those payable from the defined benefit schemes.

d) Post retirement medical benefits
The Group operates a post-retirement medical benefits scheme. There was no charge or credit relating to this scheme in the year (2005 - £1.0 million charge). The latest full valuation was carried out as at 30 June 2006. The estimated present value of the accumulated benefit obligation at 30 June 2006 is £11.4 million (2005 - £11.7 million). The amount provided in the financial statements is £11.8 million (2005 - £11.8 million).

The main actuarial assumptions used to estimate this obligation are health care claims costs escalation of 7.06% per annum for one year, reducing linearly to the long term rate of 4.25% over three years, and a discount rate of 5.25% per annum.

10 Taxation on profit on ordinary activities

The tax charge is made up as follows:

	2006 £m	2005 Restated £m
Current tax		
UK corporation tax at 30 % (2005 – 30%)	38.5	47.5
Foreign taxation	4.7	4.4
Adjustments in respect of prior years	(10.1)	(10.7)
Total current tax	33.1	41.2
Deferred tax		
Current year movement	(18.6)	0.4
Adjustment in respect of prior years	1.2	(6.8)
Total deferred tax	(17.4)	(6.4)
Total tax charge	15.7	34.8

No UK tax has been provided on the profits of overseas subsidiary undertakings where there is no intention of remitting such profits to the UK.

The adjustment in respect of prior years relates to the release of surplus provisions following agreement on prior year tax matters.

Notes to the financial statements – continued

10 Taxation on profit on ordinary activities – continued

Factors affecting the current tax charge
The tax assessed on the profit on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 30% (2005 – 30%). A reconciliation of the tax charge is as follows:

	2006	2005
		Restated
	£m	£m
Profit on ordinary activities before taxation	336.5	147.8
UK Corporation tax rate @ 30%	101.0	44.3
Tax effect of timing differences	18.6	(0.4)
Corporation tax prior year adjustments	(10.1)	(10.7)
Permanent differences:		
CFC profits apportionment	29.9	39.8
Exempt income of foreign subsidiaries	(27.7)	(38.3)
Profit on disposal of fixed asset investment	(89.7)	-
Other	(6.3)	6.5
Exceptional items	17.4	-
Total current tax	33.1	41.2

	2006	2005
		Restated
	£m	£m
Deferred tax		
Origination and reversal of timing differences	(17.4)	(6.4)

11 Retained profit/(loss) for the financial year

	2006	2005
		Restated
	£m	£m
The Company	(0.1)	(0.1)
Subsidiary undertakings	266.3	98.4
Joint venture	(0.7)	-
Associate	4.3	-
	269.8	98.3

Notes to the financial statements – continued

12 *Intangible fixed assets*

Group

The movement in the year was as follows:

	Publishing rights and titles £m	Licences £m	Goodwill on consolidation £m	Negative goodwill on consolidation £m	Total £m
Cost or valuation					
Beginning of the year	728.7	93.1	96.3	(0.7)	917.4
Disposals	-	(93.1)	(30.9)	-	(124.0)
Foreign exchange	-	-	(0.7)	-	(0.7)
End of the year	728.7	-	64.7	(0.7)	792.7
Amortisation					
Beginning of the year	4.9	21.9	47.2	(0.7)	73.3
Amortisation in year	0.3	6.9	1.5	-	8.7
Impairment in year	-	-	5.0	-	5.0
Disposals	-	(28.8)	(4.2)	-	(33.0)
Foreign exchange	-	-	(0.5)	-	(0.5)
End of the year	5.2	-	49.0	(0.7)	53.5
Net book value					
Beginning of the year	723.8	71.2	49.1	-	844.1
End of the year	723.5	-	15.7	-	739.2

Company

The Company has no intangible fixed assets (2005 - £nil).

Notes to the financial statements – continued

13 Tangible fixed assets

Group

The movement in the year was as follows:

	Freehold land and buildings £m	Leasehold land and buildings £m	Plant, motor vehicles, fixtures and fittings £m	Assets in the course of construction £m	Total £m
Cost or valuation					
Beginning of the year	72.3	398.0	675.7	78.4	1,224.4
Additions	-	1.2	12.3	138.3	151.8
Transfers	-	0.7	(0.6)	(0.1)	-
Disposals	(1.0)	-	(34.7)	-	(35.7)
Foreign exchange	(0.1)	-	-	-	(0.1)
End of the year	71.2	399.9	652.7	216.6	1,340.4
Depreciation					
Beginning of the year	12.0	105.4	431.3	-	548.7
Charge	1.4	17.4	78.8	-	97.6
Transfers	-	0.1	(0.1)	-	-
Disposals	-	-	(31.8)	-	(31.8)
End of the year	13.4	122.9	478.2	-	614.5
Net book value					
Beginning of the year	60.3	292.6	244.4	78.4	675.7
End of the year	57.8	277.0	174.5	216.6	725.9

Company

The Company has no tangible fixed assets (2005 - £Nil).

Group

Included in plant, motor vehicles, fixtures and fittings are assets held under finance leases with a net book value of £41.9 million (2005 - £58.6 million). Depreciation charged on such assets during the year was £16.7 million (2005 - £11.6 million).

Included in plant, motor vehicles, fixtures and fittings is depreciation charged of £46.0 million (2005 - £29.3 million) due to a change in the useful estimated lives of existing production assets.

Included in the cost of Group tangible fixed assets is interest on borrowings used to finance capital projects of £100.8 million (2005 - £107.4 million).

Leasehold land and buildings are substantially all long leaseholds.

Notes to the financial statements – continued

13 Tangible fixed assets - continued

Assets at valuation

Plant, motor vehicles, fixtures and fittings, leased plant and equipment are shown at cost. Land and buildings are shown at cost or valuation at specified dates with subsequent additions at cost as shown below:

	2006 Freehold £m	2006 Leasehold £m	2005 Freehold £m	2005 Leasehold £m
Professionally valued at:				
- 1 November 1980	6.2	-	6.2	-
- 30 June 1988	-	50.1	-	50.1
Total at valuation	6.2	50.1	6.2	50.1
At cost	65.0	349.8	66.1	347.9
Cost or valuation at end of the year	71.2	399.9	72.3	398.0

Original cost, and accumulated depreciation based on cost of land and buildings included at valuation is as follows:

	2006 Freehold £m	2006 Leasehold £m	2005 Freehold £m	2005 Leasehold £m
Original cost	4.0	3.6	4.0	3.6
Accumulated depreciation based on cost	(1.9)	(0.5)	(1.7)	(0.5)
	2.1	3.1	2.3	3.1

14 Fixed asset investments

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Subsidiary undertakings (a)	-	-	1,684.5	1,684.5
Other investments (b)	7,548.7	7,549.0	7,506.4	7,506.4
Interest in joint venture (c)	6.6	-	-	-
Investment in associate (d)	409.4	-	-	-
	7,964.7	7,549.0	9,190.9	9,190.9

Details of the Group's principal subsidiary undertakings, associated undertakings and other participating interests are given in note 30.

Notes to the financial statements – continued

14 Fixed asset investments - continued

a) Subsidiary undertakings – Company

	2006 £m	2005 £m
Cost or valuation		
News International Holdings	1,684.5	1,684.5

b) *Other investments*

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Fellow group undertakings (i)	7,509.7	7,509.7	7,506.4	7,506.4
Unlisted (ii)	16.2	16.3	-	-
Parent company (iii)	22.8	23.0	-	-
	7,548.7	7,549.0	7,506.4	7,506.4

i) Fellow group undertakings

	Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m
News Publishing Australia Limited	7,506.4	7,506.4	7,506.4	7,506.4
Other	3.3	3.3	-	-
	7,509.7	7,509.7	7,506.4	7,506.4

Group
The remaining ordinary share capital of these participating interests is held by other subsidiary undertakings of News Corporation. The Directors consider that the Group is not in a position to exercise significant influence over the affairs of the Companies and they are therefore treated as investments.

The net assets of News Publishing Australia Limited and subsidiary undertakings as included in the consolidated financial statements of News Corporation totalled £16,795.5 million at 30 June 2006 (2005 – £17,190.3 million). The consolidated net profit for the year ended 30 June 2006 was £1,165.7 million (2005 – £595.6 million). The Group's interest in the consolidated net assets through its 27.60% (2005 – 27.60%) holding of Common Stock is £4,635.6 million (2005 – £4,744.5 million).

Notes to the financial statements – continued

14 Fixed asset investments - continued

ii) Unlisted investments

At 30 June 2006 unlisted investments principally comprised a £15.0 million investment in The Press Association.

iii) Parent company

The net book value of the investment in the ultimate parent company is analysed as follows:

	Group £m
Cost	
Beginning of the year	28.8
Disposal	(0.3)
End of the year	28.5
Provision	
Beginning of the year	5.8
Disposal	(0.1)
End of the year	5.7
Net book value	
Beginning of the year	23.0
End of the year	22.8

The investment in the ultimate parent company at 30 June 2006 at a cost of £28.5 million comprised 2,908,062 of News Corporation Class A Common Stock acquired for the News International Sharesave Plan. The shares have a market value of £30.5 million at 30 June 2006.

The shares are recognised at cost less charges to write down the shares to the exercise price of the share options over the minimum life of the options.

Options were exercised within scheme rules resulting in a disposal of 30,908 shares with an original cost of £0.3 million.

Notes to the financial statements – continued

14 Fixed asset investments - continued

c) *Interest in joint venture - Group*

On 2 November 2005, the Group acquired a 50% holding in News 8008 Limited for consideration of £7.3 million. News 8008 Limited owns 95% of Asserta Holdings Limited which owns the UK property portal Propertyfinder.com. The remaining 50% of News 8008 Limited is owned by Realestate.com.au which is ultimately controlled by News Corporation.

	Group £m
Interest in joint venture	
Beginning of the year	-
Additions – net assets	7.3
Share of losses retained	(0.7)
End of the year	6.6

d) *Investment in associate - Group*

On 3 April 2006, the Group acquired a 90% holding in News Classifieds Network (NCN) Pty Limited for consideration of £405.1 million. The remaining shareholding is owned by News Limited which is ultimately controlled by News Corporation.

	Group £m
Investment in associate	
Beginning of the year	-
Additions – net assets	405.1
Share of profits retained	4.3
End of the year	409.4

15 Stocks

	Group 2006 £m	Group 2005 £m
Raw materials and consumables	23.1	17.7
Work-in-progress	2.6	1.8
Finished goods and goods for resale	22.3	33.5
	48.0	53.0

Company
The Company has no stocks (2005 - £nil).

Notes to the financial statements – continued

16 Debtors

Amounts falling due within one year:

	Group		Company	
	2006	2005 Restated	2006	2005
	£m	£m	£m	£m
Trade debtors	201.1	177.8	-	-
Due from group undertakings	15.5	6.1	-	0.1
Due from joint venture	0.6	-	-	-
Rentals due under finance leases	8.2	6.1	-	-
Prepayments and accrued income	19.4	26.7	-	-
Other debtors	22.3	20.0	-	-
	267.1	236.7	-	0.1

Included in other debtors are assets held for resale of £16.7 million (2005 - £16.2 million).

Amounts falling due after more than one year:

	Group	
	2006	2005
	£m	£m
Rentals due under finance leases	69.8	79.0
Royalty advances	36.2	26.7
	106.0	105.7

The original historical cost of assets leased by the Group to other News Corporation group companies under finance leases at 30 June 2006 was £114.6 million (2005 - £114.6 million).

Company
The Company has no debtors falling due after more than one year (2005 - £nil).

17 Cash at bank and in hand

The Group operates a collective overdraft facility with its bankers which allows individual companies in the Group to overdraw subject to an agreed limit not being exceeded in aggregate. This facility is guaranteed by News Corporation.

Notes to the financial statements – continued

18 Creditors: Amounts falling due within one year

	Group 2006 £m	Group 2005 Restated £m
Loan notes	5.0	5.0
Bank loans and overdrafts	-	0.2
Borrowings	5.0	5.2
Due to group undertakings	1,237.5	1,327.5
Trade creditors	56.6	53.7
Corporation tax payable	35.5	58.1
Taxation and social security	8.4	9.9
Contractual obligations (note 19)	-	10.4
Other creditors	38.0	17.8
Accruals and deferred income	119.6	98.1
	1,500.6	1,580.7

Other than finance leases, none of the Group or Company borrowings are secured on the assets of the Group other than disclosed in note 24.

Company
The Company has no creditors falling due within one year (2005 - £nil).

19 Creditors: Amounts falling due after more than one year

	Group 2006 £m	Group 2005 £m
Corporation tax payable	25.5	31.1
Contractual obligations	-	50.3
Other creditors	45.7	55.4
	71.2	136.8

On 14 November 2005, Sky Radio A/S, a subsidiary undertaking, ceased to broadcast in Denmark as the population coverage was materially less than the Radio and Television Board promised during the competitive auction process in 2003. As a result, due to deficiencies in the tender documentation relating to prospective population coverage, the Denmark contract was effectively terminated by Sky Radio A/S. Sky Radio Limited was disposed of on 13 April 2006 resulting in the reduction of the associated contractual obligations due to the Dutch Government for the Sky Radio and Radio Veronica FM licences in The Netherlands.

Company
The Company has no creditors falling due after more than one year (2005 - £nil).

Notes to the financial statements – continued

20 Provisions for liabilities and charges

	Redundancy Provision	Group Deferred tax	Total
	£m	£m	£m
Beginning of the year	-	86.4	86.4
Prior year adjustment – pension scheme	-	2.0	2.0
At 1 July 2005 restated	-	88.4	88.4
Charged/(credited) to profit and loss account	61.5	(17.4)	44.1
Pension reserve adjustment	-	(7.0)	(7.0)
Utilised during the year	(3.2)	-	(3.2)
End of the year	58.3	64.0	122.3

Deferred tax is provided as follows:

	Group	
	2006	2005
	£m	£m
Excess of tax allowances over book depreciation of fixed assets	59.3	64.8
Other timing differences related to non-current assets	45.4	55.8
Other timing differences related to current assets and liabilities	(40.7)	(32.2)
	64.0	88.4

There is no unprovided deferred tax.

In addition taxes receivable that could arise if property were to be disposed of at revalued amounts are as follows:

	Group	
	2006	2005
	£m	£m
Property	(26.3)	(20.6)

Company
The Company has no provided or unprovided deferred tax (2005 - £nil).

Notes to the financial statements – continued

21 Equity capital and reserves

a) Called-up equity share capital

	2006 £m	2005 £m
Authorised, allotted and fully paid		
9,190,521,074 ordinary shares of £1 each (2005 - 9,190,521,074 ordinary shares of £1 each)	9,190.5	9,190.5

b) Movements on capital and reserves – Group

	Called-up equity share capital £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
Beginning of the year	9,190.5	79.5	1,000.9	(3,143.0)	7,127.9
Prior year adjustment	-	-	-	(85.4)	(85.4)
As restated at 1 July 2005	9,190.5	79.5	1,000.9	(3,228.4)	7,042.5
Profit for the financial year	-	-	-	269.8	269.8
Actuarial gain on pension scheme	-	-	-	6.3	6.3
Foreign exchange adjustments	-	-	-	(12.4)	(12.4)
End of the year	9,190.5	79.5	1,000.9	(2,964.7)	7,306.2

c) Movements on capital and reserves – Company

	Called-up equity share capital £m	Other reserves £m	Profit and loss account £m	Total £m
Beginning of the year	9,190.5	651.3	(650.8)	9,191.0
Loss for the financial year	-	-	(0.1)	(0.1)
End of the year	9,190.5	651.3	(650.9)	9,190.9

Notes to the financial statements – continued

21 Equity capital and reserves – continued

d) Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2006 £m	2005 Restated £m	2006 £m	2005 £m
Profit/(loss) for the financial year	269.8	98.3	(0.1)	(0.1)
Other recognised gains and losses relating to the year (net)	(6.1)	(9.5)	-	-
Net increase/(decrease) in shareholders' funds	263.7	88.8	(0.1)	(0.1)
Prior year adjustment – pension scheme	-	(71.4)	-	-
Opening equity shareholders' funds	7,042.5	7,025.1	9,191.0	9,191.1
Closing equity shareholders' funds	7,306.2	7,042.5	9,190.9	9,191.0

22 Prior year adjustment – Pension schemes

The prior year adjustment relates to the adoption of FRS 17 'Retirement benefits'.

The adoption of FRS 17 'Retirement benefits' has resulted in a decrease in staff costs of £1.0 million (2005 - £0.7 million) and in finance charges of £0.5 million (2005 – increase of £0.3 million), therefore increasing the tax charge by £0.5 million (2005 - £3.0 million). This has resulted in an increase in profit for the year of £1.0 million (2005 – decrease of £2.6 million) and an increase in total recognised gains and losses of £5.8 million (2005 – decrease of £11.8 million).

23 Future capital expenditure

	Group	
	2006 £m	2005 £m
Group		
Capital expenditure contracted for but not provided for	311.5	157.2

The Company had no contracted or authorised future capital expenditure as at 30 June 2006 (2005 - £Nil).

Notes to the financial statements – continued

24 Leasing and other financial commitments

Certain subsidiary undertakings have entered into non-cancellable operating leases in respect of plant and machinery. In addition certain subsidiary undertakings lease buildings on short-term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The subsidiary undertakings pay all insurance, maintenance and repair costs of these properties. The minimum annual rentals on these leases are as follows:

	2006 Land & Buildings £m	2006 Other £m	2005 Land & Buildings £m	2005 Other £m
Group				
Operating leases which expire				
- within 1 year	-	1.4	0.5	0.8
- within 2-5 years	1.2	3.2	0.6	3.8
- after 5 years	16.7	-	18.8	-
	17.9	4.6	19.9	4.6

25 Guarantees and contingent liabilities

The Group operates a collective overdraft facility with its bankers, which allows individual companies in the Group to overdraw subject to an agreed limit not being exceeded in aggregate. The overdraft facility is also guaranteed by News Corporation.

The Company is registered for VAT purposes in a group of subsidiary undertakings, which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the Group, and failure by other members of the Group would give rise to additional liabilities for the Company.

Certain companies within the Group enter into agreements which require payment of royalty advances and have certain minimum advance commitments to authors that are contingent upon the publication of future titles.

26 Funding

The financial statements are prepared on the going concern basis. The Group and Company have net current liabilities of £840.4 million and net current assets of £Nil respectively at 30 June 2006 (2005 restated net current liabilities of £733.6 million and net current assets of £0.1 million respectively). News Corporation has confirmed its intention of providing continuing financial support to enable the Group to meet its liabilities as they fall due for at least the next twelve months.

27 Post balance sheet events

On 4 September 2006, the Group set up a new company, NI Free Newspapers Limited which launched a free newspaper, *thelondonpaper*.

The Group disposed of its investment in Homeground Marketing Limited for consideration of £1.3 million on 11 September 2006.

On 2 October 2006, the Group acquired Milkround Online, an online recruitment company for cash consideration of £12.6 million and further deferred contingent consideration.

Notes to the financial statements – continued

28 Ultimate parent company

The Company's immediate and ultimate parent company is News Corporation, a company incorporated in the United States.

The results of Newscorp Investments and its subsidiary undertakings were consolidated in the group headed by News Corporation, whose principal place of business is at 1211 Avenue of the Americas, New York, NY 10036. The consolidated financial statements of this group is available to the public and may be obtained from 1 Virginia Street, London E98 1FN.

29 Related party transactions

As part of its trading activities the Group has undertaken transactions with its associated undertakings during the year.

At 30 June 2006 amounts due to the Group from BSkyB were £0.6 million from trading activities (2005 - £4.7 million). Included within turnover are sales of £29.0 million (2005 - £58.1 million) made to BSkyB, an associated undertaking of the News Corporation group.

At 30 June 2006 amounts due to the Group from News 8008 Limited were £0.6 million from financing activities (2005 - £nil).

Notes to the financial statements – continued

30 Principal subsidiary undertakings, associated undertakings and other participating interests

Unless otherwise stated, the investments in subsidiary undertakings are in ordinary shares, and the subsidiary undertakings are wholly owned by their immediate parent company and are incorporated and operate principally in the UK. Companies in bold are direct shareholdings of Newscorp Investments. All other companies are indirect shareholdings of Newscorp Investments. The Company has taken advantage of the exemption given by S231(5) of the Companies Act and has only disclosed companies whose results or financial position are material to the Group's financial statements.

a) Principal subsidiary undertakings and associated undertakings

News International Holdings (Holding company) (85.77%)

News International Limited (Holding company and finance)

News 2026 Limited (Newspaper publishing rights)

News Group Newspapers Limited (Publishers of the News of the World and The Sun)

Times Newspapers Holdings Limited (Holding Company)
Times Newspapers Production Company Limited (Leasing)
Times Newspapers Limited (Publishers of The Sunday Times and The Times)

The Times Literary Supplement Limited (Publishers of The Times Literary Supplement)

News International Distribution Limited (Distribution of newspapers)

News International Newspapers Limited (Provision of production and related personnel resources)

News International Newspapers (Ireland) Limited (Provision of production and related personnel resources)

News International Supply Company Limited (Supply of goods and services to the newspaper publishing companies)

News International (Advertisements) Limited (Sale of advertising space)

News International Advertisements (Ireland) Limited (Sale of advertising space)

News Promotions Limited (Newspaper promotions)

News International Associated Services Limited (Agent promoting billing services)

News Securities BV (Holding company and finance)

NI Syndication Limited (Agent promoting syndication services)

Radio Productions London Limited (Holding company)

Notes to the financial statements – continued

30 Principal subsidiary undertakings, associated undertakings and other participating interests – continued

a) Principal subsidiary undertakings and associated undertakings – continued

News Collins Limited (Holding company and finance)
  Harper Collins (UK) (Holding company)
  Harper Collins Publishers Limited (Book publishing)
  Harper Collins Investments (UK) Limited (Finance)
  Harper Collins (Australia) Limited (Book publishing) (Incorporated in Australia)
  Harper Collins Publishers (New Zealand) Limited (Book publishing) (Incorporated in New Zealand)

News Classifieds Network (NCN) Pty Limited (Incorporated in Australia) (90% Equity Interest, 37.5% Voting interest)

News Printers Group Limited (Holding company)

News Printers Assets Limited (Leasing)

News International Newspapers (Knowsley) Limited (Provision of production and related personnel resources)

News Printers Southern Limited (formerly News Printers South Limited) (Provision of production and related personnel resources)

News Printers Scotland Limited (formerly News Printers North Limited) (Provision of production and related personnel resources)

News Magazines Limited (Publishers of Magazines)

News Australia Investments Pty Limited (Holding Company) (Incorporated in Australia)

b) Other principal participating interests

News Publishing Australia Limited (Holding company) (Incorporated in USA) (27.60%)

Asserta Holdings Limited (47.5%)