

Newscorp Investments

**Report and Financial Statements
29 June 2008**

Registered number: 1437199

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Directors' report

For the year ended 29 June 2008

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 52 weeks ended 29 June 2008 ("the year").

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.

The subsidiary and associated undertakings primarily affecting the results or net assets of the Group in the year are listed in note 32 of the financial statements.

On 28 December 2007, the Group sold its investment in Broadsystem Limited, a wholly owned subsidiary, for consideration of £7.0 million, resulting in a loss on disposal of £0.2 million. 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.

On 17 June 2008, it was announced that the Group was to disengage from the magazine business. Since the end of the financial year, production of The Sunday Times Travel Magazine has been transferred to another Group company and production of the Sky Magazine was transferred to a group associate undertaking, BSkyB. LoveIt! was sold to a third party on 10 December 2008, for proceeds of £1.8 million resulting in a loss on disposal of £0.1 million.

Business review

The Group generated turnover for the year of £1,422.3 million (2007 - £1,414.5 million). The Group's operating profit for the year was £107.3 million (2007 - £122.0 million).

The principal cause of the improved turnover was an increase in circulation revenue due to cover price rises on the News of the World and The Times and increased revenue from digital activities. Advertising revenue was slightly down due to a general tightening in trading conditions in the fourth quarter of the year and future performance will inevitably be linked to the UK economy.

Cost of sales over the period has decreased due to cost efficiencies despite general market price increases in newsprint and ink. The earlier than planned delivery of the new full colour press capability (as part of the UK Press Project) resulted in a lower depreciation charge against the old presses than in the prior year as the depreciation was further accelerated in 2007. Charges in relation to the UK Press Project made within the Group include a discounted provision for redundancy costs relating to 31 employees (2007 - 63) and interest on unwinding of the discounted provision for redundancy.

The completion of the UK Press Project allowed the early launch of full colour newspapers. The Times was re-launched with a new book structure and a fresh look and feel to take advantage of the new presses. The Sunday Times was re-launched in July 2008 with a new full colour format providing a cleaner look with a new font, improved navigation and a clearer visual identity for each section.

Harper Collins saw turnover grow by £7.1 million with highlights including Formula 1 star Lewis Hamilton's autobiography and the impact of Narnia's "Prince Caspian" and other film and TV tie-ins. Operating profit rose £0.5 million largely as a result of the increase in revenues. 2008 saw Harper Collins enjoy a record breaking year with an unprecedented 67 top ten titles in the Sunday Times bestseller list, including 9 number ones including Doris Lessing winning the Nobel Prize for Literature. Harper Collins continues to lead the industry in the digital arena, with notable achievements in the year including the launch of authonomy.com, a literary community website for unpublished authors and readers and the launch of the world's first WAP dictionary with collinslanguage.com. In December 2007 Harper Collins became the first major trade publisher in the UK to take its operations carbon neutral.

Directors' report - continued

Business review - continued

The Group has continued to invest significant resources in the development of its online presence, in order to remain consumer focused and competitive in an ever expanding market place. The Group's digital presence has continued to grow with The Sun re-launching its website in the latter part of 2007 and with the News of the World re-launching its site in August 2008. Aligned with the launch of the News Of The World's new weekly magazine, Fabulous, the online site, Fabulous.co.uk was also launched in March 2008. Traffic has grown considerably to all sites over the year (average monthly global unique visitors to The Sun network up by 72% to 15.6 million and Times Online by 70% to 16.4 million year on year).

During the year two further digital acquisitions were made. The Group purchased a 50% share of Globrix Limited for consideration of £1.0 million. Globrix is a property search engine driven by a unique technology that automatically extracts property details from other websites and allows users to search in a simple and intelligent interface. Globrix is a joint venture of the Group. The Group also purchased a 49% share in BrandAlley UK Limited, a start up internet discount retailer of luxury fashion and accessories that makes private sales to registered members for a limited time period. Brands retailed through this site include Dolce & Gabbana, Cavalli, Diesel, Espirit and Ghost. BrandAlley UK Limited was set up as a joint venture with BrandAlley SA, a French private equity backed business that launched in October 2005 and the Group's investment of £7.6 million is accounted for as an associate.

On 25 June 2008 the Group sold the land owned at Deptford for consideration of £86.0 million, of which £50.0 million was received and a further £36.0 million is due over the next 3 years. The profit on disposal of the land was £64.2 million.

Events after the balance sheet date

Since the balance sheet date, the market value of News Corporation Common A Stock held by News Publishing Australia Limited has declined in line with the global economic downturn and fall in major stock markets. In accordance with FRS 21 'Events after the balance sheet date' this is not considered to be an adjusting event, since the decline in value post year end is due to a decline in the quoted market value of News Corporation which does not relate to the condition of the investment at the balance sheet date. The decline in the market value of Newscorp Investments' share of News Publishing Australia Limited's share in News Corporation post year end, based on broker consensus, is £2,026.0 million.

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. The recent change in the economic prospects of advertisers and the economy in general has altered current advertisers' spending priorities which has had an impact on the advertising revenue of the Group.

In common with other newspaper groups, the Group faces challenging advertising markets in the short term and a wider competitive set particularly from the internet in the longer term. The Group is investing in significant resources in the development of its own internet presence in order to capitalise on the new opportunities that this impending market shift will present.

Circulation

A fall in paid for circulation could arise from an accelerated decline in the overall newspaper market. Investment in editorial and the new full colour printing presses, alongside innovative promotions such as the launch of a new subscription scheme and direct to customer delivery service has enabled the Group to address the current market circulation trends.

Newsprint

Newsprint represents a reasonable proportion of the Group's costs. The price of Newsprint is volatile due to variations in supply and demand. The newsprint purchasing team monitor prices and stock levels to minimise the effect of price increases.

Directors' report – continued

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. The nature of the organisation allows exchange rate risk to be managed internally due to a presence by Group companies in the main trading countries.

Defined Benefit Pension Schemes

The Group offers eligible employees defined benefit pension schemes. Reported earnings may be adversely affected by changes in our pension costs and funding requirements due to lower than expected investment returns, changes in demographics and higher life expectancy. The risks are being considered by senior management and the pension trustees to manage an appropriate funding approach designed to minimise the pension scheme liabilities.

Results and dividends

The Group's profit for the financial year after taxation and minority interests was £117.6 million (2007 - £101.0 million). The Directors do not recommend a dividend (2007 - £Nil).

Key Performance Indicators

The key performance indicators for the Group are primarily financial. These include revenue growth, operating profit growth, ABCs and employee numbers as shown in the detail below:

	2008	2007
Revenue	£1,422.3m	£1,414.5m
Operating profit	£107.3m	£122.0m
ABC Circulation (source: Audit Bureau of Circulations Limited June 6 month certified average net circulation per issue)		
The Sun	3,120,512	3,073,046
The Times	620,059	640,893
The News Of The World	3,207,103	3,315,976
The Sunday Times	1,193,450	1,230,790
TheLondonPaper	500,679	486,165
Employees (average number)	5,303	5,648

Environment

The Group recognises the importance of its environmental responsibilities.

On 10 January 2008 the Group announced that it was the first major newspaper company in the UK to take its operations carbon neutral. This is an important first step in the Group's ongoing commitment to reduce its impact on climate change. To reach carbon neutral – net zero carbon emissions – the Group's parent company, News Corporation, invested in renewable energy projects that reduced an amount of carbon from the atmosphere equivalent to The Group's unavoidable emissions. These carbon offsets come from a portfolio of wind energy projects in India. The carbon reductions were verified by an independent expert third party and the projects were certified under the voluntary carbon standard, a standard developed by the Climate Group, the International Emissions Trading Association and the World Business Council for Sustainable Development.

Over the past financial year, the Group has developed a wide ranging energy programme that involves tracking its own greenhouse gas emissions annually, pursuing operational efficiencies and renewable sources of power and engaging audiences, employees and business partners on the issues of energy use and the environment.

Directors' report - continued

The Group sources green energy, 70% of which is now from renewable sources and 30% from combined heat and power. The switch to a low carbon energy source has had a significant impact on the Group's carbon emissions together with other energy reduction measures such as better facilities management systems and energy efficient information technology improvements. The Group is winning advertising business from clients looking for green media and has won praise for campaigns such as The Sun's lightbulb giveaway.

The Group's energy reduction programme is part of News Corporation's Global Energy Initiative, a company wide effort to play its part in solving the climate problem by transforming its operations use of energy, by engaging its millions of readers, viewers and web users on environmental issues and by involving its employees and business partners in the effort.

During the next financial year, the Group seeks to achieve ISO14001 accreditation for the environment management systems at its printing presses and more operational improvements will be possible following the creation of a new headquarters at Wapping.

The Group continues to ensure it exceeds Government targets set for recycled content for UK newspapers.

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 an average of 5,303 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 ("News International Staff Association") which has a Recognition Agreement with News International, and allows NISA to negotiate on behalf of staff with News International management. NISA operates at all of the newspaper division's sites: Wapping, Broxbourne, EuroCentral (Scotland), Knowsley (Merseyside) as well as the commercial and editorial offices in Scotland, commercial office in Manchester, administrative offices in Peterborough, News Magazines and the TLS in London.

NISA representatives are democratically elected by the workforce. Wapping (London) has 18 representatives, Broxbourne 3 representatives, Scotland (Editorial and Commercial) 4 representatives, EuroCentral 2 representatives and Knowsley 3 representatives.

The National 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	(resigned 23 May 2008)
M. C. Gill	(appointed 17 March 2008)
L. F. Hinton	(resigned 21 January 2008)
S. F. Hutson	(resigned 20 March 2008)
C. A. Milner	(appointed 17 March 2008)
K. R. Murdoch	
J. R. Murdoch	(appointed 22 April 2008)
S. L. Panuccio	(appointed 23 February 2009)
M. A. Williams	(appointed 23 May 2008 and resigned 16 December 2008)

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

Directors' report – continued

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 £0.9 million (2007 - £1.0 million). There were no political contributions (2007 - £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 43 days (2007 - 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.

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' report – continued

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 4. 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



S. L. Panuccio
Director

1 Virginia Street
London
E98 1XY

29 April 2009

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 52 weeks ended 29 June 2008 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 32. 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.

In addition, we 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 are not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 29 June 2008 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, Cambridge

29/4/2009.

Consolidated profit and loss account

For the year ended 29 June 2008

	Notes	2008 £m	2007 £m
Turnover	2	1,427.5	1,418.2
Less share of turnover of joint venture		(5.2)	(3.7)
Group turnover		1,422.3	1,414.5
Cost of sales	3	(783.3)	(798.0)
Gross profit		639.0	616.5
Other operating expenses (net)	3	(527.7)	(492.9)
Group operating profit		111.3	123.6
Share of operating loss in joint venture		(3.0)	(1.6)
Share of operating loss in associate		(1.0)	-
Total operating profit: group and share of joint venture		107.3	122.0
(Loss)/Profit on disposal of subsidiary undertakings	4	(0.2)	0.8
Profit on disposal of assets held for resale	4	64.2	-
Exceptional items	5	(4.9)	(5.8)
Profit on ordinary activities before investment income, interest and taxation		166.4	117.0
Investment income and interest receivable			
- group	6	13.0	14.3
- associate	6	37.8	32.0
Interest payable and similar charges			
- group	7	(81.1)	(70.6)
- joint venture	7	(0.1)	(0.1)
Exceptional interest	5	(4.5)	(6.9)
Profit on ordinary activities before taxation	2, 8	131.5	85.7
Taxation on profit on ordinary activities	12	7.0	27.7
Profit on ordinary activities after taxation		138.5	113.4
Minority interests		(20.9)	(12.4)
Profit for the financial year attributable to members of the parent company	13, 23	117.6	101.0

Details of movements on reserves are shown in note 23.

All operations of the Group continued throughout the year with the exception of any operations 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 29 June 2008

	Notes	2008 £m	2007 Restated £m
Retained profit for the financial year		83.6	70.7
Share of joint venture loss for the year		(2.8)	(1.7)
Share of associate profit for the year		36.8	32.0
	23	117.6	101.0
Actuarial (loss) / gain recognised in the pension schemes	11	(62.4)	33.0
Deferred tax on actuarial gains recognised in the pension schemes		17.5	(9.2)
Deferred tax – effect of change in tax rate on pension deficit		-	(1.3)
Gain on foreign currency translation		64.0	22.2
Equity settled share-based payment		8.4	-
Realisation of revaluation reserve		0.4	-
Minority interest		(2.7)	(6.0)
Total recognised gains and losses for the financial year			
- Group		108.8	109.4
- Joint venture		(2.8)	(1.7)
- Associate		36.8	32.0
Total recognised gains and losses for the financial year		142.8	139.7
Prior year adjustment - retirement benefits	24	(0.8)	
- tax effect		0.3	
- minority interest		0.1	
Total gains recognised since last annual report and financial statements		142.4	

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 29 June 2008

	Notes	2008 £m	2007 Restated £m
Fixed assets			
Intangible assets	14	747.3	753.4
Tangible assets	15	893.1	875.0
Investments	16	7,538.0	7,543.3
Interests in joint ventures			
- share of gross assets	16	13.6	9.8
- share of gross liabilities	16	(3.0)	(4.2)
Investment in associates	16	576.4	464.8
		<hr/>	<hr/>
		9,765.4	9,642.1
		<hr/>	<hr/>
Current assets			
Stocks	17	57.0	57.1
Debtors - due within one year	18	290.8	296.0
- due after one year	18	98.5	86.1
Cash at bank and in hand	19	163.5	80.9
		<hr/>	<hr/>
		609.8	520.1
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	20	(1,584.6)	(1,487.5)
		<hr/>	<hr/>
Net current liabilities	28	(974.8)	(967.4)
		<hr/>	<hr/>
Total assets less current liabilities		8,790.6	8,674.7
		<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	21	(30.7)	(39.5)
		<hr/>	<hr/>
Provisions for liabilities and charges	22	(45.0)	(113.3)
		<hr/>	<hr/>
Net assets excluding pension liability		8,714.9	8,521.9
		<hr/>	<hr/>
Pension liability	11	(45.6)	(12.5)
		<hr/>	<hr/>
Net assets including pension liability	2	8,669.3	8,509.4
		<hr/>	<hr/>

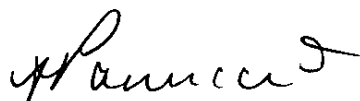
Consolidated balance sheet - continued

As at 29 June 2008

	Notes	2008 £m	2007 Restated £m
Capital and reserves			
Called-up equity share capital	23	9,190.5	9,190.5
Equity reserves:			
Revaluation reserve	23	79.2	79.5
Other reserves	23	1,000.9	1,000.9
Equity share-based payment	23	3.7	8.9
Profit and loss account	23	(2,691.2)	(2,833.0)
		<hr/>	<hr/>
Equity shareholders' funds	23	7,583.1	7,446.8
Equity minority interests		1,086.2	1,062.6
		<hr/>	<hr/>
		8,669.3	8,509.4
		<hr/>	<hr/>

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

The financial statements on pages 7 to 48 were approved by the Board of Directors on 29 April 2009 and signed on its behalf by:



S. L. Panuccio
Director

29 April 2009

Company balance sheet

As at 29 June 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Investments	16	9,190.9	9,190.9
		<hr/>	<hr/>
Net current assets	28	-	-
		<hr/>	<hr/>
Net assets		9,190.9	9,190.9
		<hr/>	<hr/>
Capital and reserves			
Called-up equity share capital	23	9,190.5	9,190.5
Equity reserves:			
Other reserves	23	651.3	651.3
Profit and loss account	23	(650.9)	(650.9)
		<hr/>	<hr/>
Equity shareholders' funds	23	9,190.9	9,190.9
		<hr/>	<hr/>

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

The financial statements on pages 7 to 48 were approved by the Board of Directors on 29 April 2009 and signed on its behalf by:



S. L. Panuccio
Director

29 April 2009

Notes to the financial statements

29 June 2008

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.

Basis of consolidation

The Group financial statements are made up to 29 June 2008 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.

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

The loss for the financial year of the Company was £ Nil million (2007 - £ Nil million). No profit and loss account is presented for the Company, as provided by section 230 of the Companies Act 1985.

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.

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

Notes to the financial statements - continued

1 Principal accounting policies - continued

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 and other sales related taxes.

Advertising revenue is recognised upon publication.

Circulation revenue is recognised at the point of sale. A provision is deducted from circulation revenue for expected returns and adjusted for actual returns as known.

Other revenue including book publishing is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

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 substantively 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.

Share-based payments

The cost of cash settled transactions is measured at fair value using an appropriate option-pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are vested. During the vesting period, a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit and loss for the period.

The Group issues equity-settled share-based payments to certain employees, which must be measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair values of

Notes to the financial statements - continued

1 Principal accounting policies - continued

these payments are measured at the dates of grant using option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the Group's estimate of the number of awards, which will lapse due to employees leaving the company prior to vesting.

The Group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

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 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. In preparing the financial statements for the current year, the Group has adopted FRS 17 'Retirement Benefits revised' which became mandatory for all accounting periods beginning after 1 April 2007. The revision of this financial reporting standard has been reflected throughout the financial statements and comparatives have been restated where appropriate to confirm with current year presentation.

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 least annually, and at the year end, through the assessment of each title's revenues for the financial year 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.

Notes to the financial statements - continued

1 Principal accounting policies - continued

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.

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. 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

Residual value is calculated on prices prevailing at the date of acquisition

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.

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

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. When an impairment review is undertaken, the recoverable amount is calculated as the net present value of expected future cash flows of the relevant cash generating unit.

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 includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are held at purchase cost on a first-in first-out basis. Work in progress and finished goods are held at cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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.

Notes to the financial statements - continued

1 Principal accounting policies - continued

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:

	2008 £m	2007 £m
Newspaper printing and publishing	1,110.6	1,082.0
Book publishing	254.6	247.5
Other activities	62.3	88.7
	<hr/>	<hr/>
	1,427.5	1,418.2
	<hr/>	<hr/>

Profit on ordinary activities before taxation by class of business:

	2008 £m	2007 £m
Newspaper printing and publishing	87.5	108.7
Book publishing	12.0	14.8
Other activities {1}	(22.6)	(25.9)
	<hr/>	<hr/>
	76.9	97.6
Redundancy charges	(9.4)	(12.7)
(Loss) / profit on disposal of subsidiary undertakings	(0.2)	0.8
Profit on disposal of assets held for resale	64.2	-
	<hr/>	<hr/>
	131.5	85.7
	<hr/>	<hr/>

{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:

	2008 £m	2007 £m
United Kingdom	1,297.4	1,297.9
Rest of Europe	19.0	17.6
Other	111.1	102.7
	<hr/>	<hr/>
	1,427.5	1,418.2
	<hr/>	<hr/>

Profit on ordinary activities before taxation by origin:

	2008 £m	2007 £m
United Kingdom	32.8	58.5
Rest of Europe	0.8	2.0
Other	43.3	37.1
	<hr/>	<hr/>
	76.9	97.6
	<hr/>	<hr/>
Redundancy charges	(9.4)	(12.7)
(Loss) / profit on disposal of subsidiary undertakings	(0.2)	0.8
Profit on disposal of assets held for resale	64.2	-
	<hr/>	<hr/>
	131.5	85.7
	<hr/>	<hr/>

Notes to the financial statements - continued

2 Segmental information - continued

b) Net assets

Net assets by class of business:

	2008	2007
	£m	Restated £m
Newspaper printing and publishing	4,574.7	4,497.4
Television and radio broadcasting	0.4	0.4
Book publishing	(116.8)	(94.9)
Other activities and unallocated net assets, including investments	4,211.0	4,106.5
	<hr/> 8,669.3	<hr/> 8,509.4

Net assets by geographical segment:

	2008	2007
	£m	Restated £m
United Kingdom	7,212.4	7,081.2
Rest of Europe	216.7	216.9
North America	(0.2)	28.7
Other	1,240.4	1,182.6
	<hr/> 8,669.3	<hr/> 8,509.4

Notes to the financial statements - continued

3 Cost of sales and other operating expenses

	2008 £m	2007 £m
Cost of sales	783.3	798.0
Distribution costs	92.4	84.9
Administrative expenses	435.3	408.0
	<u>527.7</u>	<u>492.9</u>

4 Profit on disposal of fixed asset investments and assets held for resale

	2008 £m	2007 £m
(Loss) / profit on sale of investment in subsidiaries	(0.2)	0.8
Profit on sale of assets held for resale	64.2	-
	<u>64.0</u>	<u>0.8</u>

On 28 December 2007, the Group sold its investment in Broadsystem Limited, a wholly owned subsidiary, for consideration of £7.0 million, resulting in a loss on disposal of £0.2 million. 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.

On 25 June 2008, the Group sold assets held for resale (Deptford land) for consideration of £86.0 million, of which £50.0 million was received at the year end and a further £36.0 million is due over the next 3 years. The debtor has been discounted at an annual rate of 5.0%. The profit on disposal of the land was £64.2 million.

Notes to the financial statements - continued

5 Exceptional items

	2008 £m	2007 £m
Redundancy charges	4.9	5.8
Interest on unwinding of redundancy provision	4.5	6.9
	<hr/> 9.4	<hr/> 12.7

During the year, the UK Press Project was completed and all of the new printing plants were operational by the end of the financial year.

During the year charges made within the Group include a discounted provision for redundancy costs relating to 31 employees (2007 – 63) and interest on unwinding of the discounted provision for redundancy.

The redundancy provision is included in note 22.

A deferred tax asset of £0.7 million (2007 - £19.0 million) has been provided in respect of the redundancy provision after current year utilisation and is included within note 22.

6 Investment income and interest receivable

	2008 £m	2007 £m
<i>Group</i>		
Income from loans to fellow subsidiary undertakings of the ultimate parent company	0.4	1.3
Other interest receivable and similar income	12.6	13.0
<i>Associate</i>		
Other interest receivable and similar income	37.8	32.0
	<hr/> 50.8	<hr/> 46.3

7 Interest payable and similar charges

	2008 £m	2007 £m
<i>Group</i>		
Interest on loans from fellow subsidiary undertakings of the ultimate parent company	80.7	70.6
Other interest payable and similar charges	0.4	-
<i>Joint venture</i>		
Other interest payable and similar charges	0.1	0.1
	<hr/> 81.2	<hr/> 70.7

Notes to the financial statements - continued

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2008 £m	2007 £m
Depreciation and amounts written off tangible fixed assets		
- owned	90.8	75.7
- held under finance leases	25.1	16.7
Amortisation of publishing rights and titles and goodwill		
- subsidiaries	2.5	2.8
- associates and joint ventures	0.4	-
Impairment of goodwill	1.3	-
Operating lease rentals		
- plant and machinery	3.6	5.2
- other	17.4	15.3
Auditors' remuneration		
- audit of the company	-	-
- audit of the company's subsidiaries	1.0	1.1
- other services	0.1	0.2

9 Staff costs

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

	2008 £m	2007 £m
Wages and salaries	321.6	289.7
Social security costs	28.3	27.1
Other pension costs (see note 11)	18.1	24.8
Share-based Payments	2.6	4.1
	<u>370.6</u>	<u>345.7</u>

Wages and salaries have increased during the current year due to redundancy payments.

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

	2008 Number	2007 Number
Newspaper printing and publishing	3,709	3,980
Book publishing	1,358	1,325
Other activities	236	343
	<u>5,303</u>	<u>5,648</u>

Notes to the financial statements - continued

9 Staff costs - continued

Directors' remuneration:

	2008 £m	2007 £m
Emoluments	3.1	2.7

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

	2008 £m	2007 £m
Emoluments	1.4	2.3

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

	2008 Number	2007 Number
Defined benefit schemes	2	1

The accrued pension entitlement under the defined benefit schemes of the highest paid Director at 30 June 2008 was £Nil (2007 - £Nil).

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

10 Share-based payment

Employee share ownership scheme

The Group operates an employee share ownership scheme which enables employees to enter into fixed-term savings contracts with independent financial institutions linked to an option for Class A Common Stock in its ultimate parent undertaking News Corporation. The savings contracts can range from three to seven years with an average expected life of four years.

Executive share plan

The share options were granted in November 2004 and were issued under the News Corporation 2004 Stock Option Plan. Eligible employees received a number of options over News Corporation Class A Common Stock. 25% vest annually on the anniversary of the grant date and will lapse after 10 years or if the employee leaves employment of the News Corporation Group.

Restricted stock units

The restricted stock units were granted on 3 October 2006 and 8 August 2007. These were issued under the News Corporation 2005 Long Term Incentive Plan. Eligible employees received a number of restricted stock units which vest 25% each year on 15 August. Upon vesting the restricted stock units will be awarded as News Corporation Class A Common Stock. The restricted stock units lapse after 10 years or on leaving the employment of the News Corporation Group.

Notes to the financial statements - continued

10 Share-based payment - continued

Financial impact

The expense recognised for share-based payments in respect of employee services received during the year to 29 June 2008 is £2.6 million (2007 - £4.1 million).

The portion of that expense arising from equity-settled share-based payment transactions is £2.3 million (2007 - £2.5 million).

The carrying amount of the liability relating to cash-settled share-based payment transactions as at 29 June 2008 is £2.0 million (2007 - £4.2 million).

The following table summarises information about the Group's share based payment transactions for all the Group's share based payment plans:

	2008		2007	
	Options	WAEP (US\$)	Options	WAEP (US\$)
Outstanding as at 1 July	3,678,918	15.52	4,251,407	14.52
Granted during the year	798,670	19.65	239,254	17.72
Exercised during the year	(754,869)	10.35	(683,762)	11.04
Lapsed during the year	(492,125)	15.84	(127,981)	16.01
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding as at 29 June	3,230,594	16.23	3,678,918	15.52
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable as at 29 June	1,112,472		986,696	
	<hr/>		<hr/>	

WAEP – Weighted Average Exercise Price

The weighted average fair value of options and awards granted during the year was £2.96 (2007 - £4.00). The range of exercise prices for options and awards outstanding at the end of the year was £7.17 - £9.02 (2007 - £6.48 - £9.02).

The fair value of each share option and share awards granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in fiscal years ending 30 June:

	2008	2007	2006	2005	2004
Weighted average risk free interest rate	2.72%	4.50%	4.94%	4.08%	5.60%
Dividend yield	0.56%	0.7%	0.7%	0.9%	0.9%
Expected volatility	22.63%	26.98%	29.52%	35.38%	41.83%
Expected life of options	3-7 years	3-7 years	3-7 years	3-7 years	3-7 years
Weighted average share price	£9.83	£11.28	£8.98	£9.19	£8.96

The assumptions are derived as follows:

The expected volatility was based on the historical volatility of News Corporations Class A Common Stock, the weighted average risk free rate is an average of the interest rates of government bonds with similar lives on the dates of the share option grants and the dividend yield is calculated as an average of a ten year history of the company's yearly dividend divided by the financial years closing share price.

Notes to the financial statements - continued

11 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 pension scheme. Until 30 September 2008, members were able to use their defined contribution funds to purchase an annuity within the plan. Members who retire after this date are now required to purchase an annuity on the open market.
- The remainder of UK non-book publishing employees are covered by one of 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 2006 to 30 June 2008 and were performed by a qualified independent actuary using revised assumptions that are consistent with the requirements of FRS 17 'Retirement Benefits'. The defined benefit schemes are valued by an independent qualified actuary on at least a triennial basis. 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 total pension costs for the Group are as follows:

	2008 £m	2007 £m
Defined contribution schemes	15.8	19.8
Defined benefit schemes	2.3	5.0
	<hr/>	<hr/>
	18.1	24.8
	<hr/>	<hr/>

b) The principal assumptions used by the actuary were:

	2008 %	2007 %	2006 %
Rate of increase in salaries	4.3	3.8	4.4
LPI pension increase assumption	3.5	3.3	3.0
Rate of increase in pension payment	2.9	2.7	3.3
Discount rate	6.0	5.8	5.3
Inflation assumption	3.8	3.3	3.0

The weighted average life expectancy for mortality tables used to determine benefit obligations at:

	At year end		At year end	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	Male		Female	
Member age 65 (Current life expectancy)	19.4	19.4	22.4	22.4
Member age 45 (Life expectancy at age 65)	22.1	22.1	25.1	25.1

Notes to the financial statements - continued

11 Pensions - continued

- c) The fair value of the assets in the schemes, the percentage of plan assets and the expected rate of return at the balance sheet date were:

	2008			2007 Restated		
	Expected long term rate of return %	Percentage of plan assets %	Market value of plan assets £m	Expected long term rate of return %	Percentage of plan assets %	Market value of plan assets £m
Equity	8.2	54.0	190.0	8.2	65.9	233.6
Debt	5.4	37.5	131.9	5.0	32.0	113.3
Cash/Other	4.9	8.5	30.0	4.5	2.1	7.4
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6.9	100	351.9	7.1	100	354.3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The contribution rate for 2008 ranged from 23.2% - 35.1% of salaries. Additional funding is paid where required.

Change in benefit obligation:	2008 £m	2007 £m
Benefit at the beginning of the year	371.7	377.0
Current service cost	5.4	5.7
Interest cost	21.1	19.7
Plan participants contributions	0.3	0.8
Actuarial loss/(gain)	5.7	(18.6)
Benefits paid from plan/company	(17.9)	(17.6)
Net transfer in	28.9	4.7
	<hr/>	<hr/>
Benefit at end of the year	415.2	371.7
	<hr/>	<hr/>
Change in plan assets:	2008 £m	2007 Restated £m
Fair value of plan assets at the beginning of the year	354.3	309.8
Expected return on plan assets	24.2	22.2
Actuarial (loss)/gain on plan assets	(56.7)	14.4
Employer contributions	15.6	19.2
Members contributions	0.3	0.8
Benefits paid from plan/company	(17.9)	(17.6)
Acquisitions/divestitures	32.2	5.6
Premiums paid	(0.1)	(0.1)
	<hr/>	<hr/>
Fair value of plan assets at end of the year	351.9	354.3
	<hr/>	<hr/>

Notes to the financial statements - continued

11 Pensions - continued

Change in net pension deficit:	2008	2007
	£m	Restated £m
Deficit in the schemes	(63.3)	(17.4)
Related deferred tax asset	17.7	4.9
	<hr/>	<hr/>
Net pension deficit	(45.6)	(12.5)
	<hr/>	<hr/>
Analysis of the amount charged to operating profit		
	2008	2007
	£m	£m
Total operating charge	5.4	5.7
	<hr/>	<hr/>
Analysis of the amount charged to net finance charges		
	2008	2007
	£m	£m
Expected return on pension schemes assets	(24.2)	(22.2)
Interest on pension scheme liabilities	21.1	19.7
	<hr/>	<hr/>
Net return	(3.1)	(2.5)
	<hr/>	<hr/>
d) Analysis of the amount recognised in the statement of total recognised gains and losses		
	2008	2007
	£m	£m
Actual return less expected return on pension schemes assets	(56.7)	14.4
Experience gains arising on schemes liabilities	6.8	2.3
Changes in assumptions underlying the present value of the schemes liabilities	(12.5)	16.3
	<hr/>	<hr/>
Amount recognised in statement of total recognised gains and losses	(62.4)	33.0
	<hr/>	<hr/>

Notes to the financial statements - continued

11 Pensions - continued

Movement in schemes deficit during the year

	2008 £m
Beginning of the year	(16.6)
Prior year adjustment	(0.8)
	<hr/>
	(17.4)
Current service cost	(5.4)
Contributions	15.6
Past service cost	3.2
Net finance income	3.1
Actuarial loss	(62.4)
	<hr/>
End of the year	(63.3)

History of experience gains and losses

	2008	2007	2006	2005
Difference between the expected and the actual return on scheme assets:				
amount (£ million)	(56.7)	14.4	11.1	16.3
percentage of scheme assets	(16.1%)	4.0%	3.6%	6.4%
Experience gains and losses on scheme liabilities:				
amount (£ million)	6.8	2.3	(4.5)	(1.6)
percentage of the present value of the scheme liabilities	1.6%	0.6%	(1.2%)	(0.4%)
Total amount recognised in the statement of total recognised gains and losses:				
amount (£ million)	(62.4)	33.0	10.4	(19.6)
percentage of the present value of the scheme liabilities	(15.0%)	8.9%	2.8%	(5.5%)

e) Non-registered 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 non-registered retirement benefit arrangements. These arrangements will pay promised pension benefits in excess of those payable from the registered schemes. The defined benefit obligation comprises £17.6 million (2007 - £16.3 million) arising from unfunded plans.

f) Post retirement medical benefits

The Group operates a post-retirement medical benefits scheme. There was a credit of £Nil million relating to this scheme in the year (2007 - £0.4 million). The latest full valuation was carried out as at 30 June 2008. The estimated present value of the accumulated benefit obligation at 29 June 2008 is £11.7 million (2007 - £12.3 million). The amount provided in the financial statements is £11.4 million (2007 - £11.4 million).

The main actuarial assumptions used to estimate this obligation are health care claims costs escalation of 7.0% per annum for one year, reducing linearly to the long term rate of 6.0% over four years, and a discount rate of 6.0% per annum.

Notes to the financial statements - continued

12 Taxation

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2008 £m	2007 £m
<i>Current tax</i>		
UK corporation tax at 29.5 % (2007 – 30%)	0.6	20.2
Adjustments in respect of prior years	(10.4)	(44.8)
	<hr/>	<hr/>
	(9.8)	(24.6)
Foreign taxation	12.1	4.2
	<hr/>	<hr/>
Group current tax	2.3	(20.4)
Share of joint venture's current tax	(0.3)	-
	<hr/>	<hr/>
Total current tax	2.0	(20.4)
	<hr/>	<hr/>
<i>Deferred tax</i>		
Adjustment in respect of prior years	4.5	0.8
Origination and reversal of timing differences	13.4	(2.6)
Effect of decreased tax rate	(0.7)	(5.5)
Reversal of deferred tax on industrial buildings	(28.6)	-
Settlement of share-based payments	2.4	-
	<hr/>	<hr/>
Group deferred tax	(9.0)	(7.3)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(7.0)	(27.7)
	<hr/>	<hr/>

The adjustment in respect of prior years primarily relates to the finalisation of the capital allowances for the UK Press Project.

As a result of the changes to Industrial Buildings Allowances, the Group has released £28.6 million in respect of a deferred tax liability which is no longer expected to reverse.

Notes to the financial statements - continued

12 Taxation - continued

(b) Tax included in the group statement of total recognised gains and losses

The tax (credit)/charge is made up as follows:	2008 £m	2007 £m
<i>Deferred tax:</i>		
Actuarial (loss)/gain on pension scheme	(17.5)	9.2
Effect of change in tax rate on opening pension deficit	-	1.3
Effect of prior year adjustments – share based payments	-	(3.2)
– retirement benefits	(0.3)	-
	<hr/>	<hr/>
Total tax charge	(17.8)	7.3
	<hr/>	<hr/>

(c) Factors affecting the current tax charge/(credit)

The tax assessed on the profit on the ordinary activities for the year is £2.0m (2007 - £(20.4)m). The difference between the tax assessed and the standard rate of corporation tax of 30% from 1 July 2007 to 31 March 2008 and 28% from 1 April 2008 to 29 June 2008 (2007 - 30%) is explained below:

	2008 £m	2007 £m
Profit on ordinary activities before taxation	131.5	85.7
	<hr/>	<hr/>
UK Corporation tax rate - 29.5% (2007 - 30%)	38.8	25.7
Tax effect of timing differences	(13.4)	2.4
Corporation tax prior year adjustments	(10.4)	(44.8)
<i>Permanent differences:</i>		
Exempt income of foreign subsidiaries and associates	(12.0)	(10.6)
Profit on disposal of fixed asset investment	(19.0)	-
Other	4.0	6.9
Foreign and joint venture tax booked	11.8	-
Current year loss carried back	2.2	-
	<hr/>	<hr/>
Total current tax	2.0	(20.4)
	<hr/>	<hr/>

Notes to the financial statements - continued

12 Taxation - continued

(d) Factors affecting the future tax charge

The standard rate of Corporation Tax in the UK changed to 28% with effect from 1 April 2008. In addition, the UK government has enacted a number of significant changes to the Capital Allowances regime through the Finance Act 2007 and Finance Act 2008. These changes include reducing the rate of allowances on plant and machinery from 25% to 20% (10% for certain fixtures integral to a building), abolition of balancing adjustments on the sale of an industrial building and phased abolition of Industrial Buildings Allowances by 30 March 2011.

As a result of the changes to Industrial Buildings Allowances, the Group has released £28.6 million in respect of a deferred tax liability which is no longer expected to reverse.

The group has capital losses arising in the UK of £1.2 billion (2007 - £1.3 billion) that are available indefinitely for offset against future taxable profits that are considered capital in nature. If any of the revalued properties were to be disposed of at their current net book value it is anticipated, as in previous years, that a capital loss would arise. No deferred tax asset has been recognised in respect of these losses.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, associates and joint ventures as there is no intention of remitting such profits to the UK.

(e) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2008	2007
	£m	Restated £m
Included in provisions for liabilities (note 22)	42.5	49.9
Included in pension liability (note 11)	(17.7)	(4.9)
	<hr/>	<hr/>
Total	24.8	45.0

The deferred tax balances at the year end are:

	2008	2007
	£m	Restated £m
Accelerated capital allowances	67.8	93.4
Share-based payments	(1.6)	(4.1)
Short term timing differences	(23.7)	(39.4)
Pension costs	(17.7)	(4.9)
	<hr/>	<hr/>
Provision for deferred tax	24.8	45.0

Notes to the financial statements - continued

12 Taxation - continued

	£m
Beginning of the year (including deferred tax on pension)	45.3
Prior year adjustment	(0.3)
	<hr/>
As restated at beginning of the year (including deferred tax on pension)	45.0
Disposal of subsidiary undertakings and other balance sheet movements	1.6
Deferred tax credit credited to group profit and loss account	(9.0)
Deferred tax on movement on pension deficit	(12.8)
	<hr/>
End of the year (including deferred tax on pension)	24.8
	<hr/>

Company

The Company has no provided or unprovided deferred tax (2007 - £Nil).

13 Retained profit for the financial year

	2008 £m	2007 £m
The Company	-	-
Subsidiary undertakings	83.6	70.7
Joint venture	(2.8)	(1.7)
Associate	36.8	32.0
	<hr/>	<hr/>
	117.6	101.0
	<hr/>	<hr/>

Notes to the financial statements - continued

14 Intangible fixed assets

Group

The movement in the year was as follows:

	Publishing rights and titles £m	Goodwill on Consolidation £m	Negative goodwill on consolidation £m	Total £m
Cost or valuation				
Beginning of the year	728.7	71.1	(0.7)	799.1
Disposals	-	(23.0)	-	(23.0)
Impairment	-	(8.3)	-	(8.3)
Foreign exchange	-	0.1	-	0.1
End of the year	728.7	39.9	(0.7)	767.9
Amortisation				
Beginning of the year	5.6	40.8	(0.7)	45.7
Amortisation in year	0.3	2.2	-	2.5
Disposals	-	(20.8)	-	(20.8)
Impairment	-	(7.0)	-	(7.0)
Foreign exchange	-	0.2	-	0.2
End of the year	5.9	15.4	(0.7)	20.6
Net book value				
Beginning of the year	723.1	30.3	-	753.4
End of the year	722.8	24.5	-	747.3

On 28 December 2007, the Group sold its investment in Broadsystem Limited as detailed in note 4.

On 11 February 2008, a decision was made to wind up the operations of Centrecore Limited and therefore the goodwill was impaired. This comprised goodwill cost of £8.3 million and accumulated amortisation of £7.0 million.

Company

The Company has no intangible fixed assets (2007 - £Nil).

Notes to the financial statements - continued

15 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	203.8	343.7	703.9	290.7	1,542.1
Additions	35.1	0.7	100.4	-	136.2
Transfers	203.1	(29.9)	110.3	(283.5)	-
Disposals	(5.4)	-	(13.8)	-	(19.2)
Foreign exchange	0.2	(0.1)	1.0	-	1.1
End of the year	436.8	314.4	901.8	7.2	1,660.2
Depreciation					
Beginning of the year	52.1	98.0	517.0	-	667.1
Charge	5.9	13.2	96.8	-	115.9
Transfers	0.8	(0.8)	-	-	-
Disposals	(3.3)	-	(13.1)	-	(16.4)
Foreign exchange	-	-	0.5	-	0.5
End of the year	55.5	110.4	601.2	-	767.1
Net book value					
Beginning of the year	151.7	245.7	186.9	290.7	875.0
End of the year	381.3	204.0	300.6	7.2	893.1

Company

The Company has no tangible fixed assets (2007 - £Nil).

Group

Included in plant, motor vehicles, fixtures and fittings are assets held under finance leases with a net book value of £Nil million (2007 - £25.1 million). Depreciation charged on such assets during the year was £25.1 million (2007 - £16.7 million).

Included in plant, motor vehicles, fixtures and fittings is depreciation charged of £69.4 million (2007 - £46.4 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 £96.2 million (2007 - £96.2 million).

Leasehold land and buildings are substantially all long leaseholds.

Notes to the financial statements - continued

15 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:

	2008 Freehold £m	2008 Leasehold £m	2007 Freehold £m	2007 Leasehold £m
Professionally valued at:				
- 1 November 1980	5.5	-	6.2	-
- 30 June 1988	-	50.1	-	50.1
	<hr/>	<hr/>	<hr/>	<hr/>
Total at valuation	5.5	50.1	6.2	50.1
At cost	431.3	264.3	197.6	293.6
	<hr/>	<hr/>	<hr/>	<hr/>
Cost or valuation at end of the year	436.8	314.4	203.8	343.7
	<hr/>	<hr/>	<hr/>	<hr/>

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

	2008 Freehold £m	2008 Leasehold £m	2007 Freehold £m	2007 Leasehold £m
Original cost	3.7	3.6	4.0	3.6
Accumulated depreciation based on cost	(2.3)	(0.6)	(2.1)	(0.5)
	<hr/>	<hr/>	<hr/>	<hr/>
	1.4	3.0	1.9	3.1
	<hr/>	<hr/>	<hr/>	<hr/>

16 Fixed asset investments

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Subsidiary undertakings (a)	-	-	1,684.5	1,684.5
Other investments (b)	7,538.0	7,543.3	7,506.4	7,506.4
Interest in joint ventures (c)	10.6	5.6	-	-
Investment in associates (d)	576.4	464.8	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,125.0	8,013.7	9,190.9	9,190.9
	<hr/>	<hr/>	<hr/>	<hr/>

Details of the Group's principal subsidiary undertakings, associated undertakings and other participating interests are given in note 32.

Notes to the financial statements - continued

16 Fixed asset investments - continued

a) Subsidiary undertakings - Company

	2008 £m	2007 £m
Cost or valuation		
News International Holdings	1,684.5	1,684.5

b) Other investments

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Fellow group undertakings (i)	7,506.4	7,506.4	7,506.4	7,506.4
Unlisted (ii)	16.2	16.2	-	-
Parent company (iii)	15.4	20.7	-	-
	<u>7,538.0</u>	<u>7,543.3</u>	<u>7,506.4</u>	<u>7,506.4</u>

i) Fellow group undertakings

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
News Publishing Australia Limited	7,506.4	7,506.4	7,506.4	7,506.4

Group

The remaining ordinary share capital of News Publishing Australia Limited 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 £19,204.0 million at 29 June 2008 (2007 - £18,877.2 million). The consolidated net profit for the year ended 29 June 2008 was £1,126.1 million (2007 - £901.7 million). The Group's interest in the consolidated net assets through its 27.60% (2007 - 27.60%) holding of Common Stock is £5,300.3 million (2007 - £5,210.1 million).

Since the balance sheet date, the market value of News Corporation Common A Stock held by News Publishing Australia Limited has declined in line with the global economic downturn and fall in major stock markets. In accordance with FRS 21 'Events after the balance sheet date' this is not considered to be an adjusting event, since the decline in value post year end is due to a decline in the quoted market value of News Corporation which does not relate to the condition of the investment at the balance sheet date. The decline in the market value of Newscorp Investments' share of News Publishing Australia Limited's share in News Corporation post year end, based on broker consensus, is £2,026.0 million.

Notes to the financial statements - continued

16 Fixed asset investments - continued

ii) Unlisted investments

At 29 June 2008 unlisted investments principally comprised a £15.0 million investment in The Press Association (2007 - £15.0 million).

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	26.7
Disposal	(5.2)
	<hr/>
End of the year	21.5
	<hr/>
Provision	
Beginning of the year	6.0
Addition	0.1
	<hr/>
End of the year	6.1
	<hr/>
Net book value	
Beginning of the year	20.7
	<hr/>
End of the year	15.4
	<hr/>

Shares in ultimate parent company

The investment in the ultimate parent company at 29 June 2008 at a cost of £21.5 million comprised of News Corporation Class A Common Stock acquired for the News International Sharesave plan. The shares have a market value of £15.2 million at 29 June 2008.

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 the scheme rules resulting in a disposal of 701,519 shares with a market value of £6.7 million.

Eligible employees contract to exercise options at the end of a 3, 5 or 7 year period from the date of each issue of the option.

The shares are held by the News International Employee Share Trust for the sole purpose of satisfying the options held by employees under the Sharesave plan.

Notes to the financial statements - continued

16 Fixed asset investments - continued

c) *Interest in joint ventures - Group*

During the year ended 29 June 2008, a further investment of £6.8 million was made in REA UK Limited. REA UK Limited owns 99.9% of Propertyfinder Holdings Limited which owns the UK property portal Propertyfinder.com. The remaining 50% of REA UK Limited is owned by REA Group Europe Limited which is ultimately controlled by News Corporation.

On 13 August 2007, the Group acquired a 50% holding in Globrix Limited for consideration of £1.0 million. The remaining 50% of Globrix Limited is owned by third parties.

	Net assets £m	Group Goodwill £m	Total £m
Interest in joint ventures			
Beginning of the year	5.6	-	5.6
Additions	7.2	0.6	7.8
Share of losses retained	(2.8)	-	(2.8)
	<hr/>	<hr/>	<hr/>
End of the year	10.0	0.6	10.6
	<hr/>	<hr/>	<hr/>

d) *Investment in associates - Group*

On 30 November 2007, the Group acquired a 49% holding in BrandAlley UK Limited for consideration of £7.6 million of which £4.0 million is deferred. The remaining 51% holding is owned by BrandAlley SA, a third party undertaking.

	Net assets £m	Group Goodwill £m	Total £m
Interest in associates			
Beginning of the year	464.8	-	464.8
Additions	-	7.6	7.6
Share of profits retained	36.8	-	36.8
Foreign exchange	67.6	-	67.6
Amortisation of goodwill	-	(0.4)	(0.4)
	<hr/>	<hr/>	<hr/>
End of the year	569.2	7.2	576.4
	<hr/>	<hr/>	<hr/>

17 Stocks

	Group	
	2008 £m	2007 £m
Raw materials and consumables	22.6	24.4
Work-in-progress	1.3	1.5
Finished goods and goods for resale	19.2	16.2
Publishing plant	13.9	15.0
	<hr/>	<hr/>
	57.0	57.1
	<hr/>	<hr/>

Company

The Company has no stocks (2007 - £Nil).

Notes to the financial statements - continued

18 Debtors

Amounts falling due within one year:

	Group	
	2008	2007
	£m	£m
Trade debtors	230.0	217.0
Due from group undertakings	9.5	27.4
Rentals due under finance leases	9.3	9.5
Prepayments and accrued income	18.1	19.0
Corporation tax receivable	1.7	-
Other debtors	22.2	23.1
	<hr/>	<hr/>
	290.8	296.0
	<hr/>	<hr/>

Included in other debtors are assets held for resale of £Nil million (2007 - £16.9 million). Following the sale of the assets held for resale during the year, discounted deferred consideration amounting to £10.4 million (2007 - £Nil) is included within other debtors due within one year.

Company

The Company has no debtors falling due within one year (2007 - £Nil).

Amounts falling due after more than one year:

	Group	
	2008	2007
	£m	£m
Rentals due under finance leases	50.9	60.5
Royalty advances	25.3	25.6
Other debtors	22.3	-
	<hr/>	<hr/>
	98.5	86.1
	<hr/>	<hr/>

The original historical cost of assets leased by the Group to other News Corporation group companies under finance leases at 29 June 2008 was £114.6 million (2007 - £114.6 million).

Following the sale of the assets held for resale during the year, discounted deferred consideration amounting to £22.3 million (2007 - £Nil) is included within other debtors due after more than one year.

Company

The Company has no debtors falling due after more than one year (2007 - £Nil).

19 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

20 Creditors: Amounts falling due within one year

	Group	
	2008	2007
	£m	£m
Borrowings – Loan notes	5.0	5.0
Bank overdraft	57.3	-
Due to group undertakings	1,263.4	1,225.1
Trade creditors	51.8	56.5
Corporation tax payable	-	13.8
Taxation and social security	15.4	9.8
Other creditors	66.7	57.4
Accruals and deferred income	124.4	119.1
Cash-settled share based payment	0.6	0.8
	<hr/>	<hr/>
	1,584.6	1,487.5
	<hr/>	<hr/>

None of the Group or Company borrowings are secured on the assets of the Group.

Company

The Company has no creditors falling due within one year (2007 - £Nil).

21 Creditors: Amounts falling due after more than one year

	Group	
	2008	2007
	£m	£m
Other creditors	29.3	36.1
Cash-settled share based payment	1.4	3.4
	<hr/>	<hr/>
	30.7	39.5
	<hr/>	<hr/>

Company

The Company has no creditors falling due after more than one year (2007 - £Nil).

Notes to the financial statements - continued

22 Provisions for liabilities and charges

	Redundancy Provision £m	Group Deferred tax £m	Total £m
Beginning of the year	63.4	49.9	113.3
Charged/(credited) to profit and loss account	9.4	(9.0)	0.4
Other movements	-	1.6	1.6
Utilised during the year	(70.3)	-	(70.3)
	<hr/>	<hr/>	<hr/>
End of the year	2.5	42.5	45.0
	<hr/>	<hr/>	<hr/>

The redundancy provision relates to the UK Press Project. The utilisation of this provision follows the redundancy of employees as the project completed during the year seeing the launch of full colour newspapers. The remaining provision relates to final redundancies due to be paid post year end.

Notes to the financial statements - continued

23 Equity capital and reserves

a) Called-up equity share capital

	2008 £m	2007 £m
<i>Authorised, allotted and fully paid</i>		
9,190,521,074 Ordinary shares of £1 each		
(2007 - 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	Equity Share- based payment £m	Profit and loss account £m	Total £m
Beginning of the year	9,190.5	79.5	1,000.9	8.9	(2,832.6)	7,447.2
Prior year adjustment	-	-	-	-	(0.5)	(0.5)
Prior year adjustment – minority interest	-	-	-	-	0.1	0.1
As restated beginning of the year	9,190.5	79.5	1,000.9	8.9	(2,833.0)	7,446.8
Profit for the financial year	-	-	-	-	117.6	117.6
Actuarial loss on pension scheme (net of deferred tax)	-	-	-	-	(44.9)	(44.9)
Foreign exchange adjustments	-	-	-	-	64.0	64.0
Equity settled share-based payment	-	-	-	2.7	-	2.7
Cash settlement of equity settled share based payments	-	-	-	(8.8)	8.4	(0.4)
Realisation of revaluation reserve following sale of revalued land and buildings	-	(0.4)	-	-	0.4	-
Minority interest	-	0.1	-	0.9	(3.7)	(2.7)
End of the year	9,190.5	79.2	1,000.9	3.7	(2,691.2)	7,583.1

c) Movements on capital and reserves - Company

	Called-up equity share capital £m	Other reserves £m	Profit and loss account £m	Total £m
Beginning and end of the year	9,190.5	651.3	(650.9)	9,190.9

Notes to the financial statements - continued

23 Equity capital and reserves - continued

d) Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2008	2007	2008	2007
	£m	£m	£m	£m
Profit for the financial year	117.6	101.0	-	-
Other recognised gains and losses relating to the year (net)	23.9	37.5	-	-
Equity settled share-based payment	(5.2)	1.9	-	-
Net increase in shareholders' funds	136.3	140.4	-	-
Prior year adjustment – Retirement benefits	-	(0.4)	-	-
Opening equity shareholders' funds	7,446.8	7,306.8	9,190.9	9,190.9
Closing equity shareholders' funds	7,583.1	7,446.8	9,190.9	9,190.9

24 Prior year adjustment – Retirement Benefits

The prior year adjustment relates to the amendment of FRS 17 'Retirement benefits' disclosing assets at bid value as opposed to market value.

The amendment of FRS 17 'Retirement benefits' has resulted in an increase in the 2007 pension provision of £0.8 million which increased the related deferred tax asset by £0.3 million and increased the minority interest by £0.1 million. This resulted in a recognised loss of £0.4 million.

25 Future capital expenditure

Group	Group	
	2008	2007
	£m	£m
Capital expenditure contracted for but not provided for	8.2	117.2

The Company had no contracted or authorised future capital expenditure as at 30 June 2008 (2007 - £Nil).

Notes to the financial statements - continued

26 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:

	2008 Land & Buildings £m	2008 Other £m	2007 Land & Buildings £m	2007 Other £m
Group				
Operating leases which expire				
- within 1 year	0.7	0.8	0.3	1.5
- within 2-5 years	2.7	2.6	3.0	2.9
- after 5 years	15.1	16.5	15.0	-
	<hr/>	<hr/>	<hr/>	<hr/>
	18.5	19.9	18.3	4.4
	<hr/>	<hr/>	<hr/>	<hr/>

27 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.

28 Funding

The financial statements are prepared on the going concern basis. The Group has net current liabilities of £974.8 million at 30 June 2008 (2007 - £967.4 million). 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.

29 Post balance sheet events

Since the balance sheet date, the market value of News Corporation Common A Stock held by News Publishing Australia Limited has declined in line with the global economic downturn and fall in major stock markets. In accordance with FRS 21 'Events after the balance sheet date' this is not considered to be an adjusting event, since the decline in value post year end is due to a decline in the quoted market value of News Corporation which does not relate to the condition of the investment at the balance sheet date. The decline in the market value of NewsCorp Investments' share of News Publishing Australia Limited's share in News Corporation post year end, based on broker consensus, is £2,026.0 million.

Following the October 2008 issue of the Sky Magazine, production has been transferred to BSKyB, an associated undertaking of the News Corporation group and the production of The Sunday Times Travel Magazine has been transferred to another group company. This is not material to the Group.

On 31 August 2008, Centrecore Limited ceased trading following the announcement to wind the company down on 11 February 2008.

Notes to the financial statements - continued

29 Post balance sheet events - continued

On 10 December 2008, News Magazines Limited was sold to a third party for consideration of £1.8 million, resulting in a loss on disposal of £0.1 million.

On 27 April 2009, an announcement was made to wind down Convoys Limited.

30 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.

31 Related party transactions

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

At 29 June 2008 amounts due to the Group from British Sky Broadcasting plc were £3.1 million from trading activities (2007 - £0.4 million). Included within turnover are sales of £13.7 million (2007 - £1.4 million) made to British Sky Broadcasting plc, an associated undertaking of the News Corporation group. Post year end, the production of the Sky Magazine was transferred to British Sky Broadcasting plc.

At 29 June 2008 amounts due to the Group from REA UK Limited were £0.2 million from financing activities (2007 - £2.5 million).

During the year, the Group paid invoices on behalf of Globrix Limited with a market value of £0.4 million at a cost of £0.4 million and raised invoices to third parties on its behalf with a market value of £0.3 million at a cost of £0.3 million. At 29 June 2008, the total amount due from Globrix Limited was £0.5 million.

At 29 June 2008 amounts due to the Group from BrandAlley UK Limited were £0.2 million from financing activities.

Notes to the financial statements - continued

32 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 International Publishers Limited (Holding company)

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)

NI Free Newspapers Limited (Publisher of the londonpaper)

News Securities BV (Holding company and finance)

NI Syndication Limited (Agent promoting syndication services)

Milkround Online Limited (Online graduate recruitment)

News Retail Services Limited (Newspaper wholesaler)

KIP Limited (Provision of production and related personnel resources)

Notes to the financial statements - continued

32 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 Publishers (Australia) Pty Limited (Book publishing) (Incorporated in Australia)

Harper Collins Publishers (New Zealand) Limited (Book publishing) (Incorporated in New Zealand)

News Classifieds Network (NCN) Pty Limited (Finance) (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)

Newsprinters (Broxbourne) Limited (Provision of production and related personnel resources)

Newsprinters (Eurocentral) Limited (Provision of production and related personnel resources)

Newsprinters (Knowsley) Limited (Provision of production and related personnel resources)

News Magazines Limited (Publishers of Magazines)

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

REA UK Limited (Property)(50%)

Globrix Limited (Property search website) (50%)

BrandAlley UK Limited (Provision of discounted branded products) (49%)

b) Other principal participating interests

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

The remaining ordinary share capital of News Publishing Australia Limited 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.