

News International Newspapers (Knowsley) Limited

**Report and Financial Statements
28 June 2009**

Registered number: 3296746



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Directors' report

For News International Newspapers (Knowsley) Limited for the year ended 28 June 2009 (registered number 3296746)

The Directors present their annual report on the affairs of News International Newspapers (Knowsley) Limited ("the Company") together with the financial statements and auditors' report for the 52 weeks ended 28 June 2009 ("the year")

Principal activity

The Company ceased trading in August 2007 following the transfer of the Company's trade to another group company

Business review

The Company generated turnover for the year of £Nil (2008 - £20,102,000) The Company's profit on ordinary activities before taxation for the year was £Nil (2008 - £503,000)

Principal risks and uncertainties facing the business

The Company ceased trading in August 2007

Results and dividends

The Company's loss for the financial year was £118,000 (2008 - £5,301,000)

An ordinary dividend of £503,000 (2008 - £807,000) has been paid and the Directors do not recommend the payment of a final dividend (2008 - £Nil)

Directors and their interests

The Directors of the Company who served during the year were as follows

S W Daintith	(resigned 17 July 2008)
M C Gill	
K McCoy	
I McDonald	(resigned 18 September 2008)
S L Panuccio	(appointed 17 July 2008)

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

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

None of the Directors have any interests in shares in group companies or any other interests that require disclosure in accordance with Companies Act law

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 2006 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

The Company has made no charitable or political donations in the year (2008 - £Nil)

Auditors

The Directors have passed a resolution to dispense with the requirement to reappoint auditors annually Ernst & Young LLP are deemed to be reappointed as auditors in the absence of a notice that the appointment is to be terminated

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 its profit or loss 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 Company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company 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 1. 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



M C Gill
Director

1 Virginia Street
London
E98 1XY

12 October 2009

Independent Auditors' report

To the members of News International Newspapers (Knowsley) Limited

We have audited the financial statements of News International Newspapers (Knowsley) Limited for the year ended 28 June 2009 which comprise the Profit and Loss Account, Balance Sheets and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 June 2009 and of the company's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Tony McCartney (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge

16/12/09.

Profit and loss account

For the year ended 28 June 2009

	Notes	Discontinued 2009 £'000	Discontinued 2008 £'000
Turnover	2	-	20,102
Cost of sales		-	(19,599)
		<hr/>	<hr/>
Gross Profit		-	503
Other operating expense		-	-
		<hr/>	<hr/>
Operating Profit		-	503
Exceptional Items			
Intercompany recharge	7	-	1,753
Redundancy costs	7	-	(1,174)
Interest payable and similar charges	7	-	(579)
Profit on ordinary activities before taxation		-	503
Tax on profit on ordinary activities	9	(118)	(5,804)
		<hr/>	<hr/>
Loss for the financial year	17	(118)	(5,301)
		<hr/>	<hr/>

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £118,000 in the year ended 28 June 2009 (2008 – £5,301,000)

Details of movements on reserves are shown in note 17

In August 2007 the trade of the Company was fully transferred to another group company

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

Balance sheet

As at 28 June 2009

	Notes	2009 £'000	2008 £'000
Current assets			
Debtors	11	9,254	29,416
Deferred tax	12	24	142
Cash at bank and in hand	13	-	10,584
		<hr/>	<hr/>
		9,278	40,142
Creditors: Amounts falling due within one year	14	(9,189)	(39,050)
		<hr/>	<hr/>
Total assets less current liabilities		89	1,092
Creditors: Amounts falling due after one year	15	(65)	(99)
Provisions for liabilities and charges	16	-	(348)
		<hr/>	<hr/>
Net assets		24	645
		<hr/>	<hr/>
Equity capital and reserves			
Called-up share capital	17	-	-
Profit and loss account	17	24	645
		<hr/>	<hr/>
Equity shareholders' funds	17	24	645
		<hr/>	<hr/>

The financial statements on pages 4 to 14 were approved by the Board of Directors on 12 October 2009 and signed on its behalf by



M C Gill
Director

12 October 2009

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

Notes to the financial statements

28 June 2009

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

The financial statements of the Company are made up to the Sunday closest to the 30 June each year. Consequently, the financial statements for the current period cover 52 weeks ended 28 June 2009

In preparing the financial statements for the current year, the Company has noted the amendment to FRS 8 'Related Party Disclosures' which became mandatory for all accounting periods beginning on 6 April 2008. However, this does not have an effect on the Company because, as a wholly owned subsidiary undertaking of News Corporation whose financial statements are publicly available, the Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the group headed by News Corporation

The principal accounting policies have been applied consistently throughout the year and the preceding year

Cash flow statement

The Company 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 a body corporate and a consolidated cash flow statement is included in the financial statements of News Corporation, the ultimate parent company

Turnover

Turnover is the net amount receivable by the Company in the ordinary course of its business, excluding trade discounts, value added tax and other sales related taxes

Contract print revenue is recognised in instalments over the life of the print contract

Revenue for the provision of personnel services to other members in the Newscorp Investments group is recognised as services are provided

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

Notes to the financial statements - continued

1 Principal accounting policies - continued

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 settled. 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 carrying amount for the liability are recognised in profit and loss for the period.

Pension costs

The employees of the Company participate in a defined contribution pension scheme, 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.

Leases

Rentals payable under operating leases are charged on a straight-line basis over the term.

2 Turnover

The Company ceased trading in August 2007. All the Company's turnover and profit for the prior year was derived from contract printing and the provision of personnel resources on behalf of other members of the NewsCorp Investments group in the United Kingdom.

3 Auditors' remuneration

	2009 £'000	2008 £'000
Audit of the financial statements	15	11

Auditors' remuneration, including amounts in respect of non-audit services, is borne by another group undertaking.

4 Staff costs

The average monthly number of employees was

	2009 Number	2008 Number
Production	-	72
Sales and distribution	-	1
Administration	-	6
	-	79

Notes to the financial statements - continued

4 Staff costs continued

Employee costs of the Company (including directors) during the year comprised

	2009 £'000	2008 £'000
Wages and salaries	-	19,114
Social security costs	-	884
Other pension costs (note 6)	-	185
Share-based payments	-	1
	<hr/>	<hr/>
	-	20,184
	<hr/>	<hr/>

The former employees of the Company participated in a defined contribution pension scheme operated by News International Limited

5 Directors' emoluments

	2009 £'000	2008 £'000
Emoluments	182	-
	<hr/>	<hr/>

The number of Directors who were members of the defined benefit pension scheme was as follows

	2009 Number	2008 Number
Defined benefit schemes	1	-
	<hr/>	<hr/>

Certain Directors are remunerated by other Companies in the Newscorp Investments Group. These emoluments are disclosed in another Group Company's financial statements.

Notes to the financial statements - continued

6 Pensions and other post retirement benefits

The Company participated in pension schemes operated by News International Limited. The defined contribution scheme covered the majority of the executive, staff and works personnel. The remaining employees, mainly senior executives, were covered by defined benefit multi-employer schemes and their share of the underlying assets and liabilities are not readily identifiable. The assets of the pension schemes are held in separate externally administered funds. The pension costs of the defined benefit schemes are in accordance with the advice of a qualified actuary using the projected unit method. The schemes are valued by an independent actuary on a triennial basis. The latest full actuarial valuation of the defined benefit schemes range from 1 July 2006 to 30 June 2009.

The total pension cost for the Company was £Nil (2008 - £185,000) of which £Nil (2008 - £174,000) relates to the defined contribution scheme and £Nil (2008 - £11,000) relates to defined benefit schemes.

FRS 17 'Retirement benefits' requires that, if possible, a pension scheme's underlying assets and liabilities be allocated to the entities sponsoring the scheme on a consistent and reasonable basis. If this is not possible, then the scheme should be accounted for as a defined contribution scheme.

It has not been possible to identify the Company's share of the overall assets and liabilities, therefore defined contribution accounting has been adopted in these financial statements. FRS 17 disclosures for the defined benefit schemes can be found in the financial statements of NewsCorp Investments. The deficit of the News International element as at 28 June 2009 is £52,532,000 (2008 - £37,199,000).

7 Exceptional items

	2009 £'000	2008 £'000
Intercompany recharge	-	1,753
Redundancy costs	-	(1,174)
Interest on unwinding of redundancy provision	-	(579)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Following the announcement on 12 October 2004 of investment in new printing plants by the NewsCorp Investments group, a review of production staffing levels was 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 has reduced by approximately two thirds.

During the prior year charges made within the Company include a discounted provision for redundancy costs relating to 8 employees, interest on unwinding of the discounted provision for redundancy and the recharge of the total redundancy costs to other members of the NewsCorp Investments group.

The closing redundancy provision can be seen in note 16.

A deferred tax asset was provided in the prior year in respect of the redundancy provision.

The deferred tax asset provided is £Nil and can be seen in note 12 (2008 - £98,000).

Notes to the financial statements - continued

8 Share-based payments

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.

Financial impact

The expense recognised for share-based payments in respect of employee services received during the year to 28 June 2009 is £Nil (2008 - £1,000).

The portion of that expense arising from equity-settled share-based payment transactions is £Nil (2008 - £Nil).

The carrying amount of the liability relating to cash-settled share-based payment transactions as at 28 June 2009 is £88,000 (2008 - £156,000).

The following table summarises information about the Company's stock option transactions for all the Company's stock option plans.

	2009		2008	
	Options	WAEP (US\$)	Options	WAEP (US\$)
Outstanding as at 1 July	2,248	16.23	168,660	15.52
Granted during the year	1,288	7.48	-	19.65
Exercised during the year	-	10.35	(89,901)	10.35
Lapsed during the year	(2,248)	12.95	(12,826)	15.84
Transfers to News Printers Knowsley Limited	-		(63,685)	
Outstanding as at 30 June	1,288	16.38	2,248	16.23
Exercisable as at 30 June	-		1,649	

WAEP – Weighted Average Exercise Price

The weighted average fair value of options and awards granted during the year was £2.23 (2008 - £2.96). The range of exercise prices for options and awards outstanding at the end of the year was £5.03 - £9.02 (2008 - £7.17 - £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:

	2009	2008	2007	2006	2005
Weighted average risk free interest rate	1.56%	2.72%	4.50%	4.94%	4.08%
Dividend yield	1.15%	0.56%	0.7%	0.7%	0.9%
Expected volatility	36.29%	22.63%	26.98%	29.52%	35.38%
Expected life of options	3-7 years	3-7 years	3-7 years	3-7 years	3-7 years
Weighted average share price (£)	6.29	9.83	11.28	8.98	9.19

The assumptions are derived as follows:

The expected volatility was based on the historical volatility of News Corporation's 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 News Corporation's yearly dividend divided by the financial years closing share price.

Notes to the financial statements - continued

9 Tax on profit on ordinary activities

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

	2009 £'000	2008 £'000
<i>Deferred tax (note 12)</i>		
Effect of decreased tax rate on opening position	-	389
Current year movement at 28% (2008 - 29.5%)	-	5,633
Deferred tax on transfer of provision to another group company	98	-
Current year movement rate differential at 0% (2008 - 1.5%)	-	(286)
Settlement of share-based payments	20	68
	<hr/> 118	<hr/> 5,804

b) Factors affecting current tax (credit)/charge

The tax assessed on the profit on ordinary activities for the year is £Nil (2008 - £Nil). The enacted UK tax rate applicable from 1 April 2008 reduced to 28% from 30%. The difference between the tax assessed and the standard rate of corporation tax in the UK of 28% (2008 - 29.5%) is reconciled below

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	-	503
Corporation tax at 28% (2008 - 29.5%)	-	148
Other timing differences - redundancy provision	-	(5,633)
Group relief surrendered/(claimed)	-	5,485
Total current tax	<hr/> -	<hr/> -

10 Dividends

	2009 £'000	2008 £'000
Equity dividends paid on ordinary shares £251,500 per ordinary share (2008 - £403,500 per ordinary share)	<hr/> 503	<hr/> 807

11 Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year		
Due from group undertakings	<hr/> 9,254	<hr/> 29,416

Notes to the financial statements - continued

12 Deferred tax

Deferred taxation asset is provided at 28% (2008 – 28%) as follows

	2009 £'000	2008 £'000
Other timing differences	-	98
Share-based payments	24	44
	<hr/>	<hr/>
	24	142
	<hr/>	<hr/>

A deferred tax asset has been recognised as the Directors are of the opinion that the level of future taxable profits and deferred tax liabilities within the Newscorp Investments group will be sufficient to utilise the deferred tax asset being recognised

The movement in deferred taxation during the current year is as follows

	£'000
Beginning of the year	142
Credit/(debit) to profit and loss account	
Deferred tax on transfer of provision to another group company	(98)
Settlement of share-based payments	(20)
	<hr/>
End of the year	24
	<hr/>

13 Cash at bank and in hand

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

14 Creditors: Amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft (note 13)	8,748	-
Due to group undertakings	418	38,993
Cash-settled share-based payments	23	57
	<hr/>	<hr/>
	9,189	39,050
	<hr/>	<hr/>

Notes to the financial statements - continued

15 Creditors: Amounts falling due after one year

	2009 £'000	2008 £'000
Cash-settled share-based payments	65	99

16 Provision for liabilities and charges

	Redundancy Provision £'000
Beginning of the year	348
Transfer of provision to another group company	(348)
End of the year	-

The Provision brought forward was made in the financial statements for a future reduction in production staff

During the year, the provision balance was transferred to another group company following the transfer of the Company's trade

17 Equity capital and reserves

a) Called-up equity share capital

	2009 £	2008 £
Authorised 100 ordinary shares of £1 each	100	100
Allotted and fully-paid 2 ordinary shares of £1 each	2	2

b) Reserves

	Profit and loss account £'000
Beginning of the year	645
Loss for the financial year	(118)
Equity dividends paid on ordinary shares	(503)
End of the year	24

Notes to the financial statements - continued

17 Equity capital and reserves - continued

c) Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Loss for the financial year	(118)	(5,301)
Equity dividends paid on ordinary shares	(503)	(807)
Net reduction in shareholders' funds	(621)	(6,108)
Opening equity shareholders' funds	645	6,753
Closing equity shareholders' funds	24	645

18 Ultimate parent company

The Company's immediate parent company is News Printers Group Limited, a company incorporated in England and Wales

The ultimate parent company is News Corporation, a company incorporated in Delaware

The largest group in which the results of the Company are consolidated is that headed by News Corporation, whose principal place of business is at 1211 Avenue of the Americas, New York, NY10024. The smallest group in which they are consolidated is that headed by Newscorp Investments, a company incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from 1 Virginia Street, London, E98 1FN.