News International Newspapers (Knowsley) Limited

Report and Financial Statements
27 June 2010

Registered number: 3296746

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Directors' report

For News International Newspapers (Knowsley) Limited for the year ended 27 June 2010 (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 27 June 2010 ("the year")

Principal activity
The Company ceased trading on 21 August 2007 following the transfer of the Company's trade to another group company

Business review
A business review has not been completed for the Company because it is defined under Section 382 of the Companies Act 2006 as a small company

Principal risks and uncertainties facing the business
A summary of the principal risks and uncertainties facing the Company has not been completed because it is defined under Section 382 of the Companies Act 2006 as a small company

Going concern
As explained in the directors report above, the Company ceased trading on 21 October 2008

As highlighted in note 10 to the financial statements, the Company meets its day-to-day working capital requirements through a collective overdraft facility which is guaranteed by News Corporation

After making enquiries and because Newscorp Investments has committed to provide financial support the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Results and dividends
The Company's loss for the financial year was £Nil (2009 - £118,000)

No dividends have been paid during the year (2009 - £503,000) and the Directors do not recommend the payment of a final dividend (2009 - Nil)

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

M C Gill
K McCoy
S L Panuccio

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

Directors indemnity provision
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 (2009 - £Nil)

Directors' report - continued

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

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 Directors' 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

3 Thomas More Square
London
E98 1XY

19 November 2010

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 27 June 2010 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 14 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 Chapter 3 of part 16 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 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 27 June 2010 and of the company's result 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 matters 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 24/11/2010

Profit and loss account

For the year ended 27 June 2010

	Notes	2010 £'000	2009 £'000
Profit on ordinary activities before taxation		-	-
Tax on profit on ordinary activities	6	-	(118)
Loss for the financial year	13	-	(118)

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £Nil in the year ended 27 June 2010 (2009 - £118,000)

Details of movements on reserves are shown in note 13

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

Balance sheet
As at 27 June 2010

	Notes	2010 £'000	2009 £'000
Current assets			
Debtors	8	7,372	9,278
Creditors: Amounts falling due within one year	11	(7,348)	(9,189)
Total assets less current liabilities		24	89
Creditors: Amounts falling due after one year	12	-	(65)
Net current assets		24	24
Net assets		24	24
Equity capital and reserves			
Called-up share capital	17	-	-
Profit and loss account	13	24	24
Equity shareholders' funds	13	24	24

The financial statements on pages 4 to 13 were approved by the Board of Directors on 19 November 2010 and signed on its behalf by

M C Gill
Director

19 November 2010

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

Notes to the financial statements
27 June 2010

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 27 June 2010

In preparing the financial statements for the current year, the Company has adopted early FRS 30 'Heritage Assets' which becomes mandatory for all accounting periods beginning on or after 1 April 2010 As the Company does not hold any heritage assets, the adoption of FRS 30 has no impact on the financial statements

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

Going concern
As explained in the directors report on page 1 of the financial statements, the Company ceased trading on 21 October 2008

As highlighted in note 10 to the financial statements, the Company meets its day-to-day working capital requirements through a collective overdraft facility which is guaranteed by News Corporation

After making enquiries and because Newscorp Investments has committed to provide financial support the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Related party transactions
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 members of the group headed by News Corporation

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

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

The company 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
The majority of employees of the Company participated 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

During the year, employees of the Company were members of pension schemes operated by News International Limited, which require contributions to be made to separately administered funds Contributions to these funds were charged to the profit and loss account as they became payable in accordance with the rules of the schemes

Further details on the pension schemes are provided in note 4

2 Auditors' remuneration

	2010 £'000	2009 £'000
Audit of the financial statements	16	15

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

Fees paid to the Company's auditors, Ernst & Young LLP, for services other than statutory audit of the Company are disclosed in the financial statements of News International Limited

Notes to the financial statements - continued

3 Directors' emoluments

	2010 £'000	2009 £'000
Emoluments	182	182

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

	2010 Number	2009 Number
Defined benefit schemes	1	1

Certain Directors are remunerated by other companies in the Newscorp Investments group These emoluments are disclosed in another group company's financial statements and are borne by other group undertakings

4 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 2009 to 27 June 2010

The total pension cost for the Company was £Nil (2009 - £Nil) of which £Nil (2009 - £Nil) relates to the defined contribution scheme and £Nil (2009 - £Nil) 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 27 June 2010 is £56,635,000 (2009 - £52,532,000)

Notes to the financial statements - continued

5 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 27 June 2010 is £Nil (2009 - £Nil)

The portion of that expense arising from equity-settled share-based payment transactions is £Nil (2009 - £Nil)

The carrying amount of the liability relating to cash-settled share-based payment transactions as at 27 June 2010 is £Nil (2009 - £88,000)

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

	2010		2009	
	Options	WAEP (£)	Options	WAEP (£)
Outstanding at beginning of year	1,288	5 03	2,248	7 35
Transferred to another group company	(1,288)	5 03	-	-
Granted during the year	-	-	1,288	5 03
Lapsed during the year	-	-	(2,248)	7 35
Outstanding at end of year	-	-	1,288	5 03
Exercisable at end of year	-	-	-	-

WAEP – Weighted Average Exercise Price

The weighted average fair value of options and awards granted during the year was £Nil (2009 - £2 23) The range of exercise prices for options and awards outstanding at the end of the year was £Nil (2009 - £5 03 - £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

	2010	2009	2008	2007	2006
Weighted average risk free interest rate	-	1 56%	2 72%	4 50%	4 94%
Dividend yield	-	1 15%	0 56%	0 7%	0 7%
Expected volatility	-	36 29%	22 63%	26 98%	29 52%
Expected life of options	-	3-7 years	3-7 years	3-7 years	3-7 years
Weighted average share price (£)	-	6 29	9 83	11 28	8 98

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 News Corporations' yearly dividend divided by the financial years closing share price

Notes to the financial statements - continued

6 Tax on profit on ordinary activities

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

	2010 £'000	2009 £'000
Deferred tax (note 9)		
Current year movement at 28% (2009 - 28%)	-	-
Deferred tax on transfer of provision to another group company	-	98
Settlement of share-based payments	-	20
	-	118

b) Factors affecting future tax charge

The Chancellor announced in the emergency budget on 22 June 2010 that the standard rate of UK Corporation Tax will be reduced from 28% to 27% from 1 April 2011, and there will be progressive annual reductions of a further 1% until a rate of 24% is reached with effect from 1 April 2014 The Finance Act (No 2) 2010 received Royal Assent on 27 July 2010, with the first of the rate reductions being substantively enacted from 21 July 2010 under UK GAAP

7 Dividends

	2010 £'000	2009 £'000
Equity dividends paid on ordinary shares		
£Nil per ordinary share (2009 - £251,500 per ordinary share)	-	503

8 Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Due from group undertakings	7,372	9,254
Deferred tax (note 9)	-	24
	7,372	9,278

Notes to the financial statements - continued

9 Deferred tax

The deferred taxation included in the balance sheet is as follows

	2010 £'000	2009 £'000
Included in debtors (note 8)	-	24

Deferred taxation asset is provided at 28% (2009 – 28%) as follows

	2010 £'000	2009 £'000
Share-based payments	-	24
	-	24

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

	£'000
Beginning of the year	24
Balance sheet movement	
Transfer of share based payment creditor to other group undertaking	(24)
End of the year	-

10 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

11 Creditors: Amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft (note 10)	7,348	8,748
Due to group undertakings	-	418
Cash-settled share-based payments	-	23
	7,348	9,189

Notes to the financial statements - continued

12 Creditors: Amounts falling due after more than one year

	2010 £'000	2009 £'000
Cash-settled share-based payments	-	65

13 Equity capital and reserves

a) Called-up equity share capital

	2010 £	2009 £
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 and end of the year	24

c) Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Loss for the financial year	-	(118)
Equity dividends paid on ordinary shares	-	(503)
Net reduction in shareholders' funds	-	(621)
Opening equity shareholders' funds	24	645
Closing equity shareholders' funds	24	24

Notes to the financial statements - continued

14 Ultimate parent undertaking

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 smallest and 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, NY10036 The consolidated financial statements of this group are available to the public and may be obtained from 3 Thomas More Square, London E98 1XY