

News Property Three Limited

**Report and Financial Statements
29 June 2008**

Registered number: 4165884

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Directors' report

For the year ended 29 June 2008

The Directors present their annual report on the affairs of News Property Three Limited ("the Company") together with the financial statements and auditors' report for the 52 weeks ended 29 June 2008 ("the year").

Principal activity

The principal activity of the Company is that of an investment holding company within the Newscorp Investments group.

Business review

A business review has not been completed for the Company because it is defined under Section 247 of the Companies Act 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 247 of the Companies Act as a small company.

Results and dividends

The Company's profit for the financial year was £17,937,000 (2007 - £3,270,000).

No dividends were paid during the year (2007 - £Nil) and the Directors do not recommend the payment of a final dividend (2007 - £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)
S. A. Fernando	(resigned 13 August 2007)
M. C. Gill	(appointed 10 March 2008)
S. F. Hutson	(resigned 20 March 2008)
C. A. Milner	(appointed 13 August 2007)
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 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 interests which 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 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

The Company has made no charitable or political contributions in the year (2007 - £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 and 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 to 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 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

11 November 2008

Independent Auditors' report

To the members of News Property Three Limited

We have audited the Company's financial statements for the 52 weeks ended 29 June 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes numbered 1 to 12. These financial statements have been prepared on the basis of 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 the preparation of 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 the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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 Company's affairs as at 29 June 2008 and of its profit for the 52 weeks 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
14/11/2008

Ernst & Young LLP
Registered auditor
London

Profit and loss account
For the year ended 29 June 2008

	Notes	2008 £'000	2007 £'000
Administrative expenses		(11,653)	(9,149)
Other operating income		11,653	9,149
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	-	-
Tax on profit on ordinary activities	4	17,937	3,270
		<hr/>	<hr/>
Profit for the financial year	11	17,937	3,270
		<hr/>	<hr/>

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £17,937,000 for the year ended 29 June 2008 (2007 - £3,270,000).

Details of movements in reserves are shown in note 11.

All operations of the Company continued throughout both years and no operations were acquired or discontinued.


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

Balance sheet

As at 29 June 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	5	191,897	203,550
Current assets			
Debtors	6	14,257	10,733
Cash at bank and in hand	7	18,297	9,149
		32,554	19,882
Creditors: Amounts falling due within one year	8	(191,526)	(190,507)
Net current liabilities	9	(158,972)	(170,625)
Provisions for liabilities and charges	10	(10,421)	(28,358)
Net assets		22,504	4,567
Equity capital and reserves			
Called-up share capital	11	-	-
Profit and loss account	11	22,504	4,567
Equity shareholders' funds	11	22,504	4,567

The financial statements on pages 4 to 11 were approved by the Board of Directors on 11 November 2008 and signed on its behalf by:



M. C. Gill
Director

11 November 2008

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

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.

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 29 June 2008.

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

Going concern

The financial statements are prepared on the going concern basis because a fellow group undertaking has committed to provide financial support to the Company to enable it to meet its liabilities as they fall due, for the foreseeable future.

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 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.

Tangible fixed assets and depreciation

Land is stated at cost less provision for any impairment. Other tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment. Freehold land is not depreciated.

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

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.

No provision for depreciation is made in respect of freehold land and leasehold land on 999 year leases; buildings thereon are depreciated at 2 per cent per annum on the straight line basis. Other leasehold properties are amortised over the shorter of their respective leases or 50 years, except for properties in course of construction, which will be amortised from the date of completion.

1 Principal accounting policies - continued

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 of FRS 8 'Related Party Disclosures' not to disclose transactions with other members of the group headed by News Corporation.

2 Profit on ordinary activities before taxation

	2008 £'000	2007 £'000
This is stated after (charging)/crediting:		
Depreciation	(11,653)	(9,149)
Rent receivable	11,653	9,149

The Directors received no remuneration for their services to the Company (2007 - £Nil). The Directors received emoluments for their services provided to other group undertakings as disclosed in the financial statements of those companies.

The Company has no employees (2007 - None).

3 Auditors' remuneration

	2008 £'000	2007 £'000
Audit of the financial statements	6	6

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

4 Tax on profit on ordinary activities

a) The tax credit is made up as follows:

	2008 £'000	2007 £'000
<i>Deferred tax:</i>		
Effect of decreased tax rate on opening liability	-	2,108
Reversal of deferred tax on industrial buildings	17,601	-
Current year movement at 29.5% (2007 - 30%)	353	1,245
Rate differential at 1.5% (2007 - 2%)	(17)	(83)
	<u>17,937</u>	<u>3,270</u>

Notes to the financial statements - continued

4 Tax on profit on ordinary activities - continued

b) Factors affecting current tax charge

The tax assessed on the profit on the ordinary activities for the year is £Nil (2007 - £Nil). The difference between the tax assessed and the standard rate of corporation tax of 30% from 2 July 2007 to 31 March 2008 and 28% from 1 April 2008 to 29 June 2008 (2007 - 30%) is explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	-	-
Corporation tax at 29.5% (2007 - 30%)	-	-
Permanent items	1,728	-
UK transfer pricing adjustment	(3,525)	(3,451)
Capital allowances less than depreciation and other timing differences	353	1,245
Group relief claimed	1,444	2,206
Total current tax	-	-

c) Factors affecting 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 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 31 March 2011.

As a result of the changes to Industrial Buildings Allowances, the Company has released a provision of £17,601,000 in respect of deferred tax liability which is no longer expected to reverse.

Notes to the financial statements - continued

5 Tangible fixed assets

	Leasehold land and buildings £'000
Cost	
Beginning and end of the year	239,793
Depreciation	
Beginning of the year	36,243
Charge for the year	11,653
End of the year	47,896
Net book value	
Beginning of the year	203,550
End of the year	191,897

Included in leasehold land and buildings is leasehold land at a cost of £56,670,000 (2007 - £56,670,000), which has not been depreciated, and interest on borrowings used to finance capital projects of £59,900,000 (2007 - £59,900,000).

The Directors' have reviewed the carrying value of the Company's fixed assets and have adjusted the useful economic lives of the assets as appropriate.

6 Debtors

	2008 £'000	2007 £'000
Amounts due from group undertakings	11,653	9,149
Other debtors	2,604	1,584
	<u>14,257</u>	<u>10,733</u>

7 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.

8 Creditors: Amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due to group undertakings	<u>191,526</u>	<u>190,507</u>

Notes to the financial statements - continued

9 Funding

The financial statements are prepared on the going concern basis.

The net current liabilities of the Company are £158,972,000 at 29 June 2008 (2007 - £170,625,000). Newscorp Investments has confirmed its intention of providing continuing financial support to enable the Company to meet its liabilities as they fall due for the foreseeable future.

10 Provisions for liabilities and charges

	Deferred tax £'000
Beginning of the year	28,358
Credit to profit and loss:	-
Reversal of deferred tax on industrial buildings	(17,601)
Current year movement	(336)
	<hr/>
End of the year	10,421
	<hr/>

Deferred taxation is provided at 28% (2007 - 28%) as follows:

	2008 £'000	2007 £'000
Accelerated capital allowances	-	17,584
Other timing differences	10,421	10,774
	<hr/>	<hr/>
	10,421	28,358
	<hr/>	<hr/>

11 Equity capital and reserves

a) Called-up equity share capital

	2008 £	2007 £
Authorised:		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted and fully-paid:		
1 ordinary share of £1 each	1	1
	<hr/>	<hr/>

Notes to the financial statements - continued

11 Equity capital and reserves - continued

b) Reserves

	Profit and loss account £'000
Beginning of the year	4,567
Profit for the financial year	17,937
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End of the year	22,504
	<hr/>

c) Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Profit for the financial year	17,937	3,270
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Opening shareholders' funds	4,567	1,297
	<hr/>	<hr/>
Closing shareholders' funds	22,504	4,567
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12 Ultimate parent company

The Company's immediate parent company is News International Publishers 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.