

KARLHOLT PTY LIMITED
ACN 008 483 261

Financial Statements

Year Ended 30 June 2009

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Directors' Report

The Board of Directors of Karlholt Pty Limited has pleasure in submitting its report in respect of the financial year ended 30 June 2009.

Directors

The following Directors were in office during the period from 1 July 2008 to the date of this report, unless otherwise stated:

Names

P W Jourdain

P J Macourt

K J Riddle

S P Rue

Principal Activities

The company is an investment holding company which does not trade.

Results

The profit of the company after income tax amounted to \$nil (2008: \$nil).

Dividends

Dividends of \$nil were declared and paid during the financial year ended 30 June 2009 (2008: \$nil).

Review of Operations

The company did not trade during the year.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the company during the year.

Significant Events after Year-End

There have been no significant events occurring after balance date which may affect the company's state of affairs.

Likely Developments and Future Results

It is unlikely there will be any change in the company's principal activity.

Directors' Interests and Benefits

No Director has an interest in the shares of the company. No Director has an interest in a contract or proposed contract with the company, being an interest the nature of which has been declared by a Director in accordance with section 300(11) of the Corporations Act 2001.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full-time employee of the company or any benefit deemed to accrue by virtue of the related party transactions) by reason of a contract made by the company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' Report (continued)

Indemnification of Officers

To the extent permitted by law, the company has indemnified (fully insured) each Director, principal executive officer and secretary of the company against any liability that may arise as a result of work performed in their respective capacities.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' Liability and Legal Expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

This report has been made in accordance with the resolution of the Directors.



S P Rue

Sydney

18 December, 2009

Income Statement
For the year ended 30 June 2009

	2009	2008
	\$	\$
Revenue	-	-
Profit before income tax	-	-
Income tax expense	-	-
Profit after tax	-	-

The accompanying notes form an integral part of the Income Statement.

Balance Sheet As at 30 June 2009

	2009	2008
Notes	\$	\$
Total current assets	-	-
Non-current assets		
Shares in subsidiaries	247,470,256	247,470,256
Receivables from related parties	792,009,839	792,009,839
Total non-current assets	<u>1,039,480,095</u>	<u>1,039,480,095</u>
Total assets	<u>1,039,480,095</u>	<u>1,039,480,095</u>
Total current liabilities	-	-
Total non-current liabilities	-	-
Total liabilities	<u>-</u>	<u>-</u>
Net assets	<u>1,039,480,095</u>	<u>1,039,480,095</u>
Equity		
Issued capital	830,601,465	830,601,465
Retained earnings	208,878,630	208,878,630
Total equity	<u>1,039,480,095</u>	<u>1,039,480,095</u>

The accompanying notes form an integral part of the Balance Sheet.

Cash Flow Statement For the year ended 30 June 2009

	2009	2008
	\$	\$
Cash flows from operating activities		
Net cash flows from operating activities	-	-
Cash flows from investing activities		
Net cash flows from investing activities	-	-
Cash flows from financing activities		
Net cash flows from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of financial year	-	-
Cash and cash equivalents at end of financial year	-	-

There were no cash movements during the year. The company does not operate a bank account.

The accompanying notes form an integral part of the Cash Flow Statement.

Statement of Changes in Equity
For the year ended 30 June 2009

	<i>Issued capital</i>	<i>Retained Earnings</i>	<i>Total</i>
	\$	\$	\$
As at 1 July 2007	1,131,325,479	495,413,246	1,626,738,725
Prior period adjustment	(300,724,014)	(286,534,616)	(587,258,630)
Restated equity as at 1 July 2007	830,601,465	208,878,630	1,039,480,095
Profit for the year	-	-	-
As at 30 June 2008	830,601,465	208,878,630	1,039,480,095
Profit for the year	-	-	-
As at 30 June 2009	830,601,465	208,878,630	1,039,480,095

Notes to and forming part of the Financial Statements For the year ended 30 June 2009

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board. The financial report has been prepared for the sole purpose of complying with Part B, Section IIIA of the Bermudan Stock Exchange listing regulations which require preparation and distribution of audited financial statements. The company has no obligation to prepare accounts for lodgement with the Australian Securities and Investment Commission under the Australian Corporations Act.

The financial report has also been prepared on a historical cost basis and is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

(c) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been early adopted by the company for the year ended 30 June 2009. These standards and interpretations are not expected to have an impact on the company's financial report.

(d) Receivables

Receivables from related parties are non interest bearing and are recognised and recorded at their fair value.

(e) Impairment

If an indicator of impairment exists, the carrying value of non-current assets are tested for impairment. If any such indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

(f) Prior period adjustment

Prior year comparatives in the financial report have been restated with respect to the treatment of the company's investment in certain subsidiary companies.

In a prior period, through a series of transactions with related group entities, the company acquired further shares in its subsidiaries. The accounting for these transactions was based on values of underlying assets held by the subsidiary companies. One of these underlying assets should not have been reflected as an asset on the grounds it is improbable that any benefit can ever be realised from this holding. Accordingly, the book value of investments in subsidiaries has been adjusted in the prior year as follows:

	2008
Increase (decrease) arising from restatement:	\$
Reduction in shares in subsidiaries	(587,258,630)
Reduction in issued capital	(300,724,014)
Reduction in retained earnings	(286,534,616)

There is no effect on past or future cash flows as a result of this adjustment.

**Notes to and forming part of the Financial Statements (continued)
For the year ended 30 June 2009**

NOTE 2 – FINANCIAL RISK MANAGEMENT

The company's principal financial instrument comprises a receivable from a related party. The only financial risk related to this receivable is credit risk as the amount is denominated in Australian dollars and is non - interest bearing. The carrying value in the Balance Sheet of this receivable represents the company's maximum exposure to credit risk. This related party, like the company, is a wholly owned subsidiary of the company's immediate parent, News Australia Holdings Pty Limited.

The company does not trade in financial instruments.

NOTE 3 – INCOME TAX

The company is part of an Australian tax consolidated group under which the head entity, News Australia Holdings Pty Limited, is liable for income tax obligations for the whole group. The company and other members of the group have entered into a tax funding agreement. Under this agreement, the tax consolidated group's tax expense is allocated on a pro-rata basis to members based on each member's share of taxable income after eliminating transactions with group members. As the company does not trade, its allocated tax expense is nil.

NOTE 4 – CORPORATE INFORMATION

The company is a proprietary company incorporated in Australia and its registered office is 2 Holt Street, Surry Hills, NSW, 2010, Australia.

The immediate parent of the company is News Australia Holdings Pty Limited and the ultimate parent of the company is News Corporation, a United States corporation listed on the New York Stock Exchange.

The company has no employees.

NOTE 5 – REMUNERATION OF KEY MANAGEMENT PERSONNEL

The directors of the company include key management personnel and other executive officers of the News Australia Holdings Pty Limited group who hold a position on the company's board purely in the capacity of satisfying their executive officer roles in the group.

Information regarding remuneration of key management personnel of the group is disclosed in the 30 June 2009 financial report of News Australia Holdings Pty Limited.

NOTE 6 - REMUNERATION OF AUDITORS

Amounts received or due and receivable by the auditor, Ernst and Young, for the audit or review of the financial report for the year amounted to \$6,500. Audit fees have been borne by News Limited, a wholly owned subsidiary of the company's immediate parent, News Australia Holdings Pty Limited.

NOTE 7 – SUBSEQUENT EVENTS

There have been no significant events occurring after balance date which may affect the company's state of affairs.

Directors' Declaration
For the year ended 30 June 2009

In accordance with a resolution of the Directors of Karlholt Pty Ltd, I state that:

(1) In the opinion of the Directors:

(a) The financial statements and notes of the company:

(i) give a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance for the year ended on that date; and

(ii) comply with Accounting Standards; and

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board



S P Rue
Director

Sydney

18 December, 2009

Independent auditor's report to the members of Karlholt Pty Limited

We have audited the accompanying financial report of Karlholt Pty Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and with Part B, Section IIIA of the Bermudan Stock Exchange listing regulations. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion:

1. the financial report presents fairly, in all material respects, the financial position of Karlholt Pty Limited as of 30 June 2009 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations); and
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

A handwritten signature in blue ink that reads 'Ernst + Young'.

Sydney

18 December 2009