

# **News Group Newspapers Limited**

**Report and Financial Statements  
28 June 2009**

**Registered number: 679215**

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## Contents

	Page
Directors' report	1
Independent Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

## **Directors' report**

**For News Group Newspapers Limited for the year ended 28 June 2009 (registered number 679215)**

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

### **Principal activity**

The principal activity of the Company is the printing and publishing of The Sun and The News of the World newspapers

### **Business review**

The Company generated turnover for the year of £617,925,000 (2008 - £626,344,000) The Company's operating loss for the year was £15,530,000 (2008 - £18,516,000) The Directors expect the general level of activity to continue for the foreseeable future

The principal cause of the improved turnover was an increase in circulation revenue, due to a cover price increase on the News of the World in September 2008, and increased revenue from digital activities Advertising revenues are below levels in the previous year, but are strong given the current economic conditions, particularly as a result of the Company's investment in colour printing capacity The economic climate has impacted advertising spending by clients and has resulted in lower advertising revenues, in common with other publishers and other businesses with advertising-dependent models, but The Sun and News of the World remain strong in their respective markets

The Sun and News of the World have had a successful year in delivering exclusive news stories and powerful editorial campaigns and both have led the way on the "green agenda" – The Sun delivered a significant promotion providing free energy-efficient light bulbs to readers and the News of the World's "Go Green & Save" campaign has been at the forefront of recycling mobile phones

In the modern media market, The Sun and the News of the World continue to be one of the few mechanisms for delivering a mass audience to UK advertisers – as the market continues to fragment, advertisers will continue to seek the audiences that the publications deliver

Following the announcement on 12 October 2004 of a significant investment in new printing plants by the NewsCorp Investments group, a review of production processes was undertaken and efficiencies in staffing levels were made In October 2005 a selection process was completed for staffing requirements at the new printing plants, and a number of redundancies were made in relation to surplus staff Other companies in the NewsCorp Investments group employ production employees This year the Company has received recharges of £450,000 in relation to the release of excess redundancy provision relating to this process, in 2008, £4,607,000 was recharged in relation to redundancy costs Both recharges are disclosed separately on the face of the Profit and Loss Account as exceptional items All printing plants are now fully operational

The earlier than planned delivery of the new full colour press capability funded by this investment resulted in an accelerated depreciation charge against the old presses which adversely impacted the level of administrative expenses in the prior year

However, the completion of the press programme also allowed the early publication of both The Sun and News of the World with full colour capacity, with the equivalent upside available from increased colour advertising

Following a review of the business (exceptional reorganisation costs of £13,600,000 being recharged to the company in the year), advertising sales and marketing activity is now being carried out in a much more integrated way across The Sun and the News of the World as well as across other UK newspaper publications held by NewsCorp Investments The Company continues to make significant investments in marketing and has maintained levels of investment in Editorial spending, against reductions in investment by competitor newspaper publications

## **Directors' report - continued**

### **Principal risks and uncertainties facing the business**

In common with other newspaper groups, the Company is addressing the challenges of the internet as a channel, as well as other challenges in the advertising market more generally

The company is addressing ongoing circulation challenges through regional pricing initiatives and continuous product improvement to maintain the positions of The Sun and the News of the World

The Company continues to grow a strong internet presence to capitalise on the internet as an increasingly important channel for providing our content to readers and monetising it through advertising and subscription revenues

The Company has no trade debtors, other companies within the NewsCorp Investments group collect advertising and circulation revenue on behalf of the Company. Bad debts associated with advertising and circulation revenue are recharged to the Company

Credit checks are performed for all new advertising customers requesting credit in excess of £1,500. Advance payment is requested when credit ratings are not sufficient. Formal processes are in place to ensure overdue accounts are followed up on a timely basis, with accounts being blocked for further advertisements when overdue

Risk to bad debt from circulation customers is limited due to the majority of customers paying by direct debit and any overdue accounts blocked for further supply until full settlement is received

The majority of the Company's transactions are in sterling, exposure to fluctuations in foreign currency exchange rates is therefore limited. Foreign currency is managed centrally by the NewsCorp Investments group, which takes into account the foreign currency transactions of the Company

### **Results and dividends**

The Company's profit for the financial year was £48,343,000 (2008 - £55,194,000)

An ordinary dividend of £Nil (2008 - £60,714,000) 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

M G Anderson	(resigned 13 July 2009)
R Brooks	(appointed 23 July 2009)
C A Milner	
J R Murdoch	(Chairman)
K R Murdoch	(resigned 8 September 2008)
S L Panuccio	(appointed 17 July 2008)
C A Rhodes	(resigned 22 August 2008)
M A Williams	(resigned 16 December 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 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

## **Directors' report - continued**

### **Charitable and political contributions**

Charitable contributions made by the Company in the financial year amounted to £51,225 (2008 - £82,832)  
There were no political contributions (2008 - £Nil)

### **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 Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **Employee consultation**

It is the policy of the Company to develop employee involvement throughout the organisation and to ensure that they are aware of the financial and economic factors affecting the Company and the Newscorp Investments group of which it is a member.

Communication meetings between management and employees are held both formally and informally, where matters of specific interest are discussed. Consultation with all employees occurs on a regular basis covering pensions and health and safety and their views are taken into consideration when making decisions. A range of training programmes, are held for employees.

### **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 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 2. 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.

## **Directors' report - continued**

By order of the Board

A handwritten signature in black ink, appearing to read 'S L Panuccio', written in a cursive style.

S L Panuccio  
Director

1 Virginia Street  
London  
E98 1XY

12 October 2009

## **Independent Auditors' report**

**To the members of News Group Newspapers Limited**

We have audited the financial statements of News Group Newspapers Limited for the year ended 28 June 2009 which comprise the Profit and Loss Account, Balance Sheets and the related notes 1 to 29. 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 3, 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 profits 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 company's 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

*15/10/09.*

## Profit and loss account

For the year ended 28 June 2009

	Notes	2009 £'000	Restated 2008 £'000
<b>Turnover</b>	2	617,925	626,344
Cost of sales		(464,461)	(477,519)
<b>Gross profit</b>		153,464	148,825
Other operating expenses (net)	3	(168,994)	(167,341)
<b>Operating loss</b>	4	(15,530)	(18,516)
<b>Exceptional Items</b>			
Intercompany recharge	9	450	(4,607)
Reorganisation expenses	9	(13,600)	-
<b>Loss on ordinary activities before investment income, interest and taxation</b>		(28,680)	(23,123)
Interest receivable and similar income	10	71,659	72,583
Interest payable and similar charges	11	(2,698)	(4,776)
<b>Profit on ordinary activities before taxation</b>		40,281	44,684
Tax on profit on ordinary activities	13	8,062	10,510
<b>Profit for the financial year</b>	24	48,343	55,194

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £48,343,000 in the year ended 28 June 2009 (2008 - £55,194,000)

Details of movements on reserves are shown in note 24

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 28 June 2009

	Notes	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Intangible assets	15	65,000	65,000
Tangible assets	16	30,276	27,074
Investments	17	720,500	720,000
		<hr/>	<hr/>
		815,776	812,074
<b>Current assets</b>			
Stocks	18	21,089	17,871
Debtors due within one year	19	2,914,925	2,943,271
Cash at bank and in hand	21	248	5,072
		<hr/>	<hr/>
		2,936,262	2,966,214
<b>Creditors: Amounts falling due within one year</b>	22	(1,173,479)	(1,248,571)
		<hr/>	<hr/>
<b>Net current assets</b>		1,762,783	1,717,643
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		2,578,559	2,529,717
<b>Creditors: Amounts falling due after more than one year</b>	23	(321)	(245)
		<hr/>	<hr/>
<b>Net assets</b>		2,578,238	2,529,472
		<hr/>	<hr/>
<b>Equity capital and reserves</b>			
Called-up share capital	24	2,625	2,625
Share premium	24	1,750,525	1,750,525
Other reserve	24	719,074	719,074
Equity share-based payments	24	1,043	620
Profit and loss account	24	104,971	56,628
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	24	2,578,238	2,529,472
		<hr/>	<hr/>

The financial statements on pages 6 to 23 were approved by the Board of Directors on 12 October 2009 and signed on its behalf by



S L Panuccio  
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 adopted the amendment to FRS 8 'Related Party Disclosures' which became mandatory for all accounting periods beginning on 6 April 2008. The adoption of the amendment to FRS 8 has resulted in a change in accounting policy for related party transactions. As a result, related party transactions with Milkround Online Limited, a 90% owned subsidiary of News Corporation, are now required to be disclosed (see note 28)

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

### Consolidated financial statements

Under Section 228 of the Companies Act 2006 the Company is exempt from the requirement to prepare group financial statements since it is a wholly owned subsidiary of NewsCorp Investments which prepares consolidated financial statements that are publicly available

### 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

### Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account

In preparing these financial statements, the treatment of foreign currency differences have been restated. All foreign exchange gains and losses arising from the Companies operations are now shown within the operating profit of the Company

### Turnover

Turnover is the net amount receivable by the Company 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

Digital revenue is recognised over the period of the online campaign

Other revenue is recognised at the time of sale or provision of service

## Notes to the financial statements - continued

### 1 Principal accounting policies - continued

#### **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

#### **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 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 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 company's estimate of the number of awards, which will lapse due to employees leaving the company prior to vesting.

#### **Pension costs and post retirement medical benefits**

During the year, the 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 the notes to the financial statements.

#### **Leases**

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

## Notes to the financial statements - continued

### 1 Principal accounting policies - continued

#### Publishing rights and titles

Publishing rights and titles are stated at cost less any provisions made for impairment. No amortisation is provided on publishing rights and titles since, in the opinion of the Directors, these assets have indefinite useful economic lives.

The Directors believe that the publishing rights and titles of The Sun and The News of the World 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.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

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

Assets in the course of construction are not depreciated. When such assets come into use they are transferred to the appropriate fixed asset category and depreciated accordingly.

Other fixed assets are depreciated over their expected useful economic lives or anticipated length of use by the Company in order to write off their cost less estimated residual value. The principal rates, using the straight-line basis, are as follows:

Plant and machinery	-	5% to 100% per annum
Motor vehicles	-	25% per annum
Fixtures and fittings	-	10% to 100% per annum

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

#### Investments

Investments are stated at cost less provision for impairment.

#### Stocks

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.

#### 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 wholly owned group headed by News Corporation.

### 2 Turnover

Substantially all the Company's turnover and profit, in both the current and prior year, are derived, both by origin and destination, from printing and publishing activities in the United Kingdom.

## Notes to the financial statements - continued

### 3 Other operating expenses (net)

	2009 £'000	Restated 2008 £'000
Selling and marketing costs	51,102	44,593
Administrative expenses	120,173	125,197
Foreign exchange expense	-	5
	<hr/>	<hr/>
	171,275	169,795
Other operating income	(2,276)	(2,454)
Income on foreign exchange	(5)	-
	<hr/>	<hr/>
	168,994	167,341
	<hr/>	<hr/>

### 4 Operating loss

This is stated after charging

	2009 £'000	2008 £'000
Depreciation of tangible fixed assets	12,168	12,389
Operating lease rentals		
- plant and machinery	2,926	3,156
Loss/ (Profit) on disposal of fixed assets	138	(61)
	<hr/>	<hr/>

### 5 Auditors' remuneration

	2009 £'000	2008 £'000
Audit of the financial statements	120	105
	<hr/>	<hr/>

Fees paid to the Company's auditors, Ernst & Young LLP, for services other than statutory audit of the Company are not disclosed in News Group Newspapers Limited's accounts since the consolidated accounts of News Group Newspapers Limited's parent, NewsCorp Investments, are required to disclose non-audit fees on a consolidated basis

## Notes to the financial statements - continued

### 6 Staff costs

The average monthly number of employees (including directors) was

	2009 Number	2008 Number
Editorial	609	631

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

	2009 £'000	2008 £'000
Wages and salaries	40,846	41,091
Social security costs	4,023	4,002
Other pension costs (note 8)	5,713	3,293
Equity share-based payments (note 12)	559	258
	<u>51,141</u>	<u>48,644</u>

The administrative personnel resources of the Company are provided by other members of the Newscorp Investments group. Therefore all administrative staff costs are shown in the financial statements of a fellow group undertaking and a recharge is made to the Company for the services of these personnel.

### 7 Directors' remuneration

The Directors of the Company receive fees and other emoluments from News International Limited, another company in the Newscorp Investments group. The following amounts represent the recharges made by News International Limited, relating to services in connection with the management of the Company.

	2009 £'000	2008 £'000
Emoluments	-	661

The amounts in respect of the highest paid Director are as follows

	2009 £'000	2008 £'000
Emoluments	-	661
Accrued pension entitlement under the defined benefit scheme	-	16
	<u>-</u>	<u>677</u>

Other Directors received emoluments for their services provided to other group undertakings as disclosed in the financial statements of those companies.

## Notes to the financial statements - continued

### 7 Directors' remuneration - continued

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

	2009 Number	2008 Number
Defined benefit schemes	-	1

### 8 Pensions and other post retirement benefits

The Company participates in pension schemes operated by News International Limited. The defined contribution scheme covers the majority of the executive, staff and works personnel. The remaining employees, mainly senior executives, are 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 £5,713,000 (2008 - £3,293,000) of which £1,903,000 (2008 - £2,788,000) relates to the defined contribution scheme and £3,810,000 (2008 - £505,000) 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 News Corp Investments. The deficit of the News International element as at 28 June 2009 is £52,532,000 (2008 - £37,199,000).

## Notes to the financial statements - continued

### 9 Exceptional items

	2009 £'000	2008 £'000
Intercompany recharge	450	(4,607)
Reorganisation expenses	(13,600)	-
	<hr/>	<hr/>
	(13,150)	(4,607)
	<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. Other companies in the Newscorp Investments group employ production employees. The Company has received a recharge of £450,000 in relation to the release of excess redundancy provision relating to this process, in 2008 £4,607,000 was recharged in relation to redundancy costs. All printing plants are now fully operational.

During the year a full review of the business was undertaken. Following this review the Company incurred reorganisation expenses amounting to £13,600,000, of which £11,200,000 related to redundancy costs and £2,400,000 related to consultancy fees.

The tax effect in the profit and loss account relating to the exceptional items recognised below operating profit is:

	2009 £'000	2008 £'000
Tax credit on intercompany recharge	3,682	1,359
	<hr/>	<hr/>

### 10 Interest receivable and similar income

	2009 £'000	2008 £'000
On amounts receivable in less than five years from		
Dividend income from fixed asset investment	70,780	71,027
Interest receivable from Group undertakings	879	1,556
	<hr/>	<hr/>
	71,659	72,583
	<hr/>	<hr/>



## Notes to the financial statements - continued

### 11 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable to group undertakings	2,698	4,776
	<hr/>	<hr/>
	2,698	4,776
	<hr/>	<hr/>

### 12 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.

#### 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, 8 August 2007 and 5 August 2008. 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.

#### Financial impact

The expense recognised for share-based payments in respect of employee services received during the year to 28 June 2009 is £559,000 (2008 - £258,000).

The portion of that expense arising from equity-settled share-based payment transactions is £423,000 (2008 - £198,000).

The carrying amount of the liability relating to cash-settled share-based payment transactions as at 28 June 2009 is £361,000 (2008 - £335,000).

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	517,637	16.23	607,343	15.52
Granted during the year	240,347	7.48	118,174	19.65
Exercised during the year	-	10.35	(69,573)	10.35
Lapsed during the year	(76,069)	12.95	(138,307)	15.84
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding as at 30 June	681,915	16.38	517,637	16.23
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable as at 30 June	212,439		162,238	

## Notes to the financial statements - continued

### 12 Share-based payments - continued

WAEP – Weighted Average Exercise Price

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

The fair value of each share option 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

	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 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

### 13 Tax on profit on ordinary activities

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

	2009 £'000	2008 £'000
<i>Current tax</i>		
Current year corporation tax at 28% (2008 - 29.5%)		-
Corporation tax overprovided in previous years	(7,028)	(11,529)
<b>Total current tax (note 13(b))</b>	<b>(7,028)</b>	<b>(11,529)</b>
<i>Deferred tax</i>		
Adjustment in respect of prior year deferred tax	119	374
Reversal of deferred tax on industrial buildings	-	1,279
Current year movement at 28% (2008 - 29.5%)	(1,184)	(1,202)
Rate differential at 0% (2008 - 1.5%)	-	60
Settlement of share-based payments	31	508
<b>Total deferred tax</b>	<b>(1,034)</b>	<b>1,019</b>
<b>Total tax (credit)/charge</b>	<b>(8,062)</b>	<b>(10,510)</b>

## Notes to the financial statements - continued

### 13 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 (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 of 28% (2008 - 29.5%) is explained below

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	40,281	44,684
Corporation tax at 28% (2008 - 29.5%)	11,279	13,182
Permanent differences	(18,718)	(19,501)
Decelerated capital allowances	1,197	1,391
Other timing differences	(169)	(265)
Other timing differences – share-based payments	156	76
UK transfer pricing adjustment	20,606	40,254
Group relief claimed	(14,351)	(35,137)
Tax assessed on the profit on ordinary activities for the year	-	-
Corporation tax overprovided in previous years	(7,028)	(11,529)
Total current tax	(7,028)	(11,529)

### 14 Dividends

	2009 £'000	2008 £'000
Equity dividends paid on ordinary shares		
£Nil per ordinary share (2008 - £23.129 per ordinary share)	-	60,714

## Notes to the financial statements - continued

### 15 Intangible assets

	2009 £'000	2008 £'000
<b>Publishing rights and titles</b>		
<b>Cost and net book value</b>		
Beginning and end of the year	65,000	65,000

### 16 Tangible fixed assets

	Plant and Machinery £'000	Fixtures, Fittings and Motor Vehicles £'000	Assets in course of construction £'000	Total £'000
<b>Cost</b>				
Beginning of the year	109,399	27,841	1,294	138,534
Additions	7,929	860	6,689	15,478
Disposals	(1,846)	(80)	-	(1,926)
End of the year	115,482	28,621	7,983	152,086
<b>Depreciation</b>				
Beginning of the year	89,023	22,437	-	111,460
Charge for the year	10,415	1,753	-	12,168
Disposals	(1,743)	(75)	-	(1,818)
End of the year	97,695	24,115	-	121,810
<b>Net book value</b>				
Beginning of the year	20,376	5,404	1,294	27,074
End of the year	17,787	4,506	7,983	30,276

## Notes to the financial statements - continued

### 17 Fixed asset investments

#### a) Subsidiary undertakings

	£'000
<b>Cost and net book value</b>	
Beginning of the year	720,000
Additions 500,000 ordinary shares of £1 each for News 2026	500
	<hr/>
End of the year	720,500
	<hr/>

#### b) The Company's principal subsidiary undertaking is as follows

	Country of incorporation	% of issued share capital held	Class of share
News 2026 Limited	England and Wales	100	Ordinary

The principal activity of News 2026 Limited is to hold newspaper publishing rights within the Newscorp Investments group

### 18 Stocks

	2009 £'000	2008 £'000
Raw materials and consumables	21,087	17,869
Finished goods	2	2
	<hr/>	<hr/>
	21,089	17,871
	<hr/>	<hr/>

### 19 Debtors

Amounts falling due within one year

	2009 £'000	2008 £'000
Due from group undertakings	2,874,690	2,916,258
Trade debtors	6,444	1,266
Prepayments and accrued income	6,757	6,588
Other debtors	1,251	3,070
Corporation tax	20,091	11,431
Deferred tax (note 20)	5,692	4,658
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	2,914,925	2,943,271
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## Notes to the financial statements - continued

### 20 Deferred tax

The deferred tax included in the balance sheet is as follows

	2009 £'000	2008 £'000
Included in debtors (note 19)	5,692	4,658

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	4,658
<i>Credit/(Debit) to profit and loss account</i>	
Adjustment in relation to prior year	(119)
Current year movement	1,184
Settlement of share-based payments	(31)
End of the year	5,692

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

	2009 £'000	2008 £'000
Accelerated capital allowances	1,276	131
Other timing differences	4,023	4,259
Share-based payments	393	268
	5,692	4,658

### 21 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.

## Notes to the financial statements - continued

### 22 Creditors: Amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft (note 21)	852,152	891,862
Due to group undertakings	265,042	316,887
VAT	33	-
Taxation and social security	-	70
Other creditors	12,347	4,441
Accruals and deferred income	43,865	35,221
Cash-settled share-based payments	40	90
	<hr/>	<hr/>
	1,173,479	1,248,571
	<hr/>	<hr/>

### 23 Creditors: Amounts falling due after more than one year

	2009 £'000	2008 £'000
Cash-settled share-based payments	321	245
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### 24 Equity capital and reserves

#### a) Called-up equity share capital

	2009 £'000	2008 £'000
Authorised, allotted and fully-paid		
1,400,000 ordinary shares of £1 each	1,400	1,400
1,225,000 non-voting ordinary shares of £1 each	1,225	1,225
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	2,625	2,625
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## Notes to the financial statements - continued

### 24 Equity capital and reserves - continued

#### b) Reserves

	Share Premium	Other Reserves	Share-based Payment	Profit and Loss account	Total
	£'000	£'000	£'000	£'000	£'000
Beginning of the year	1,750,525	719,074	620	56,628	2,526,847
Profit for the financial year	-	-	-	48,343	48,343
Equity settled share- based payments	-	-	423	-	423
End of the year	1,750,525	719,074	1,043	104,971	2,575,613

The other reserve relates to the profit on disposal of publishing rights on 30 June 2003 to News 2026 Limited, a fellow group undertaking. The profits have been regarded as unrealised since the consideration received was in the form of assets that the Directors cannot assess the ultimate cash realisation with reasonable certainty.

#### c) Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the financial year	48,343	55,194
Equity dividends paid on ordinary shares	-	(60,714)
Equity settled share-based payments	423	198
Addition to/ (Reduction in) shareholders' funds	48,766	(5,322)
Opening shareholders' funds	2,529,472	2,534,794
Closing shareholders' funds	2,578,238	2,529,472



## Notes to the financial statements - continued

### 25 Future capital expenditure

	2009 £'000	2008 £'000
Capital expenditure contracted for but not provided for	8,861	3,299

### 26 Leasing and other financial commitments

Commitments under operating lease agreements are held by News International Supply Company Limited, another company within the Newscorp Investments group

### 27 Guarantees

Under a collective group, banking facility the Company has given multilateral guarantees in respect of bank overdrafts of other companies in the Newscorp Investments group

### 28 Related party transactions

During the year, the Company paid invoices behalf of Milkround Online Limited, a subsidiary of News Corporation, with a market value of £28,000 (2008 - £9,000) at a cost of £28,000 (2008 - £9,000) The total amount due from Milkround Online Limited at 28 June 2009 was £2,000 (2008 - £2,000) The Company also had a trading relationship with Milkround Online Limited Included within cost of sales are purchases of £3,000 (2008 - £3,000) No outstanding balance was owed to the Company as at 28 June 2009

### 29 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