

COMPANY REGISTRATION NUMBER 00894646

Times Newspapers Limited

Financial statements

1 July 2012

WEDNESDAY



L1N5FTYG

LD2

05/12/2012

#102

COMPANIES HOUSE

Times Newspapers Limited

Financial statements

Year ended 1 July 2012

Contents	Page
The directors' report	1
Independent auditor's report to the members	6
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10

Times Newspapers Limited

The directors' report

Year ended 1 July 2012

The directors present their report and the financial statements of the company for the year ended 1 July 2012

Principal activities and business review

The principal activity of the company is the publishing of The Times and The Sunday Times. The company uses the printing facilities of other members of the NewsCorp Investments group and, in some cases, external printers.

The company generated turnover for the year of £360,637,000 (2011 £401,734,000). The company's operating loss for the year was £13,378,000 (2011 £9,509,000). Both advertising and circulation revenue have decreased during the year. Cost of sales was lower during the year, as a result of decreased newsprint costs, due to lower circulation sales offsetting modest newsprint price increases, and lower editorial costs than the previous year. The directors expect the general level of activity to continue for the foreseeable future.

The company has ceased publication of Eureka, the monthly science magazine. The last edition of the magazine was published in October 2012.

A number of announcements were made during the year as the company has restructured its workforce to match the requirements of the business. The company has incurred £12,683,000 of redundancy costs relating to this restructure.

The level of turnover derived from advertising is lower than in the previous year, with the partial recovery experienced in the previous year unwinding in the continued weak economic climate that has impacted the level of advertising spend by clients to varying degrees in recent years.

The Times' newspaper circulation share was lower year-on-year based on six-monthly ABC figures for the first half of the year (ABC July to December 2011) and for the second half of the year (ABC January to June 2012). Based on the same data, The Sunday Times circulation share was marginally lower year-on-year in both six month periods, but it continued to outsell the combined sale of its main competitors in each of these six month periods.

According to the National Readership Survey (July 2011-June 2012), The Times is read by 1.3 million people daily and The Sunday Times is read by 2.5 million people. The Times continues to be the number one quality daily paper for business readers in the UK with about 50% more business readers than either of The Financial Times or The Daily Telegraph and the survey states that 1 in 4 purchase decision makers read The Times (British Business Survey 2011). The Sunday Times continues to be the number one quality Sunday Newspaper, with 50% more business readers than The Sunday Telegraph and The Observer combined, and the survey states that 1 in 3 purchase decision makers read The Sunday Times and it is the leading title for board directors (British Business Survey 2011).

The company continues to lead the way in championing paid-for content on the internet following the launch of new subscriber-only websites for The Times and The Sunday Times in May 2010 and the more recent launch of iPad Apps and other digital devices delivering full digital editions of both titles.

Based on multi-channel paid-for sales, both The Times and The Sunday Times ended the financial year with slightly reduced total paid-for sales compared with the end of the previous year. This is an achievement in light of the accelerating declines in print sales which continue to make up the greater part of the total sale for both The Times and The Sunday Times titles.

On the 28 June 2012, News Corporation announced its intention to pursue the separation of its publishing and media and entertainment businesses into two distinct publicly traded companies. Upon closing of such a transaction, Times Newspapers Limited and its key newspaper and publishing related group companies subsidiaries would be part of a publishing company, which would comprise of News Corporation's newspapers and information businesses in the US, UK and Australia, the Groups leading book publishing brands, its integrated marketing services company, its digital education group as well as other assets in Australia.

Times Newspapers Limited

The directors' report *(continued)*

Year ended 1 July 2012

Principal activities and business review - continued

The new publishing company would create a scaled publishing platform that would be one of the best capitalised in the industry. With a balanced portfolio of stable and growing news publishing brands and other assets, shareholders would benefit from strong and consistent free cash flow generated by these businesses, over multiple platforms. The separation is expected to be completed in approximately 1 year from the date of announcement and requires final approval from the News Corporation board of directors and News Corporation shareholders.

The separation is also subject to the receipt of regulatory approvals, opinions from tax advisors and favourable rulings from certain tax jurisdictions regarding the tax free nature of the transaction to News Corporation and to its shareholders, further due diligence as appropriate, and the filing and effectiveness of appropriate filings with the US Securities and Exchange Commission. There can be no assurances that the separation will occur.

Principal risks and uncertainties facing the business

The company continues to recognise the challenges to its traditional business model from new technology and changing consumer behaviours. This challenge is greatest in the area of newspaper circulation, which the company is partially addressing through continuous product improvement, investment in editorial content and the launch of innovative new subscriptions schemes. The company now considers itself a multi-platform news provider, continually investing in its digital products, and recognises the importance of maximising revenues from digital subscriptions and advertising across these channels.

It is intended that this increase in advertising on digital devices will mitigate the impact of long term movements in advertising spending, which have seen, over time, a move in spending by advertisers from press towards television, internet and mobile devices, particularly in relation to classified advertising. The company is continually investing in its products, including investment in digital editions, to minimise the impact of these trends and to ensure that its products continue to attract advertisers. The company's reliance on classified revenues in its print products continues to reduce and it is developing new digital products to attract classified advertising, including the Sunday Times Driving website, launched in October 2012 to address the premium second hand car market. In the short term, the scale of audience delivered by the company's publications and the very short production timescales associated with press advertising mean that the company continues to see advertisers investing their marketing spend in its publications. Given the trend towards disaggregated audiences, generally, against the very large readership of its publications, the company expects to retain its ability to attract advertising spending at current levels.

Along with other newspaper publishing groups the company continually faces risks associated with the cost of its paper. Paper is a basic commodity and its price is sensitive to the balance of supply and demand. The company's costs and expenses are affected by the cyclical increases and decreases in the price of paper.

The company has no trade debtors, with other companies within the Newscorp Investments group collecting 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. These checks have been particularly effective in the current economic environment.

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.

Times Newspapers Limited

The directors' report *(continued)*

Year ended 1 July 2012

Principal risks and uncertainties facing the business - continued

News Corporation (the company's ultimate parent company) has created an independently-chaired Management and Standards Committee (MSC), which operates independently from News International. The MSC has undertaken a review of The Times and The Sunday Times as part of the on-going investigations across News International. The MSC is responsible for the review of the materials identified by the MSC and its advisors in their investigations and not the directors of the company. The company has updated its policies and procedures where appropriate. Enhanced policies have been issued to staff with particular focus on Anti-Bribery, Whistleblowing and Payments policies. The costs of the MSC are borne by another group company.

Going concern

News Corporation has committed to provide financial support until 28 June 2013, the date of the expected separation of the publishing and media and entertainment business. As highlighted in note 22 to the financial statements NI Group operates two collective overdraft facilities, in which NI Group Limited (the company's intermediary UK parent company) has provided multilateral guarantees of up to £20 million in respect of each of these bank overdrafts of subsidiary undertakings. These facilities are ultimately guaranteed by News Corporation. NI Group has prepared a rolling three year forecast in which the cash flows of the Group are assessed. These show the Group to be cash generative and a letter of support has also been received from NI Group Limited. These factors lead the directors to conclude that they have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future.

Results and dividends

The loss for the year, after taxation, amounted to £28,754,000. The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

J. Witherow	
J. P. Harding	
T. Mockridge	(Appointed 5 September 2011)
M. C. Gill	(Appointed 22 March 2012)
C. C. S. Longcroft	(Appointed 26 September 2012)
R. Brooks	(Resigned 8 August 2011)
J. R. Murdoch	(Resigned 13 September 2011)
S. L. Panuccio	(Resigned 26 September 2012)

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

Directors indemnity provision

News Corporation has indemnified all directors of the company against liability in respect of proceedings brought by third parties, except that, in accordance with the Companies Act 2006, no indemnity is provided against any liability incurred by the director in defending civil proceedings brought by the company, or an associated company, in which the final judgment is given against the director, any liability of the director to pay a fine imposed by criminal proceedings, any liability incurred by the director in defending criminal proceedings in which the director is convicted, any liability of the director to pay a penalty sum to a regulatory authority in respect of non-compliance with any requirement of a regulatory nature, howsoever arising, or any liability of the director in connection with an application for relief in which the court refuses to grant him relief. 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.

Policy on the payment of creditors

The company has no direct suppliers as a fellow subsidiary purchases on behalf of the group. All details relating to the supplier payment policy have been disclosed in the accounts of News International Trading Limited.

Times Newspapers Limited

The directors' report *(continued)*

Year ended 1 July 2012

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 3. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Donations

Charitable contributions made by the company in the financial year amounted to £16,925 (2011: £5,500). There were no political contributions (2011: £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.

Times Newspapers Limited

The directors' report *(continued)*

Year ended 1 July 2012

Auditor

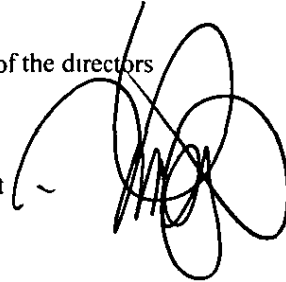
The directors will place a resolution before the Annual General Meeting to reappoint Ernst & Young LLP as auditors for the ensuing year

Registered office
3 Thomas More Square
London
E98 1XY

Signed on behalf of the directors

C C S Longcroft

Director

A handwritten signature in black ink, consisting of several overlapping loops and a final flourish, positioned to the right of the printed name C C S Longcroft.

Approved by the directors on 26 November 2012

Company Registration Number 00894646

Independent auditor's report to the members of Times Newspapers Limited

Year ended 1 July 2012

We have audited the financial statements of Times Newspapers Limited for the year ended 1 July 2012 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 28. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 and express an opinion on 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 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 directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 1 July 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Times Newspapers Limited (continued)

Year ended 1 July 2012

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

26 November 2012

Times Newspapers Limited

Profit and loss account

Year ended 1 July 2012

	Note	2012 £000	2011 £000
Turnover	2	360,637	401,734
Cost of sales		(245,171)	(276,675)
Gross profit		<u>115,466</u>	<u>125,059</u>
Sales and marketing costs		(43,373)	(52,351)
Administrative expenses		(85,471)	(83,280)
Other operating income	3	—	1,063
Operating loss	4	<u>(13,378)</u>	<u>(9,509)</u>
Cost of restructuring the company	8	(12,683)	—
		<u>(26,061)</u>	<u>(9,509)</u>
Interest receivable and similar income	10	—	557
Interest payable and similar charges	11	(2,670)	(2,670)
Loss on ordinary activities before taxation		<u>(28,731)</u>	<u>(11,622)</u>
Tax on loss on ordinary activities	12	(23)	(247)
Loss for the financial year		<u>(28,754)</u>	<u>(11,869)</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 10 to 22 form part of these financial statements

Times Newspapers Limited

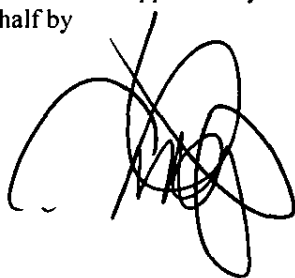
Balance sheet

1 July 2012

	Note	2012 £000	2011 £000
Fixed assets			
Intangible assets	13	1,425	1,425
Tangible assets	14	<u>1,939</u>	<u>1,936</u>
		<u>3,364</u>	<u>3,361</u>
Current assets			
Stocks	15	1,265	857
Debtors	16	323,045	374,402
Cash at bank and in hand		<u>40,929</u>	<u>25,287</u>
		365,239	400,546
Creditors: Amounts falling due within one year	19	<u>(800,385)</u>	<u>(805,985)</u>
Net current liabilities		(435,146)	(405,439)
Total assets less current liabilities		<u>(431,782)</u>	<u>(402,078)</u>
Creditors: Amounts falling due after more than one year	20	<u>(45,400)</u>	<u>(45,528)</u>
		<u>(477,182)</u>	<u>(447,606)</u>
Capital and reserves			
Called-up equity share capital	23	1,000	1,000
Equity share-based payment	24	—	822
Profit and loss account	24	<u>(478,182)</u>	<u>(449,428)</u>
Deficit	25	<u>(477,182)</u>	<u>(447,606)</u>

These financial statements were approved by the directors and authorised for issue on 26 November 2012 and are signed on their behalf by

C C S Longcroft
Director



The notes on pages 10 to 22 form part of these financial statements

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

News Corporation has committed to provide financial support until 28 June 2013, the date of the expected separation of the publishing and media and entertainment business. As highlighted in note 22 to the financial statements NI Group operates two collective overdraft facilities, in which NI Group Limited (the company's intermediary UK parent company) has provided multilateral guarantees of up to £20 million in respect of each of these bank overdrafts of subsidiary undertakings. These facilities are ultimately guaranteed by News Corporation. NI Group has prepared a rolling three year forecast in which the cash flows of the Group are assessed. These show the Group to be cash generative and a letter of support has also been received from NI Group Limited. These factors lead the directors to conclude that they have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future.

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 1 July 2012.

The company is exempt from the requirement of SSAP 25 'Segmental reporting' to include segmental analysis as part of its financial statements because it is a wholly owned subsidiary undertaking of a body corporate and segmental reporting is included in the financial statements of News Corporation, the ultimate parent company, which prepares consolidated financial statements that are publicly available.

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

Cash flow statement

The company is exempt from the requirement of FRS 1 'Cash Flow Statements' to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary undertaking of a body corporate, and a consolidated cash flow statement is included in the financial statements of News Corporation, the ultimate parent company.

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 members of the group headed by News Corporation.

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 on a straight line basis over the period of the online campaign.

Other revenue is recognised at the time of sale or over the duration of provision of service as appropriate.

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

1. Accounting policies *(continued)*

Publishing rights and titles

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

No amortisation is provided where the board is of the opinion that to do so would not show a true and fair view of the profit for the year or the financial position of the company at the end of the year. This overrides the requirement of the Companies Act 2006 to amortise intangible fixed assets and it is in compliance with FRS 10.

Had the publishing rights and titles been amortised in accordance with the Companies Act 2006 over the FRS 10 rebuttable assumption period of 20 years, £71,250 would have been charged to the profit and loss account in the year to 1 July 2012 (2011 - £71,250).

The directors believe that the publishing rights and titles of The Times and The Sunday Times 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. Any impairment results from specific events or circumstances and do not indicate that the inherent lives of assets are anything other than indefinite.

Heritage assets

The company has two collections of heritage assets which are held to increase historical knowledge of future generations and to assist in the production of the company's newspapers.

The collections are accounted for as follows:

a) Manuscripts, Newspapers and Other artefacts

The company holds a collection of manuscripts, newspapers and other artefacts within its archives. The collection is one of the most significant within the British newspaper industry and is available for both internal and external research purposes. This collection has been initially reported on the balance sheet at valuation following an independent valuation of the collection by Sotheby's in November 2003. Subsequent acquisitions, which have been purchased after this valuation, have been recorded at cost. No depreciation has been charged on these assets.

b) Art collection

The company holds a collection of paintings, which has been initially reported on the balance sheet at valuation following an independent valuation of the collection by Robert Holden Limited in May 2001. Subsequent acquisitions, which have been purchased after the valuation, have been recorded at cost. No depreciation has been charged on these assets.

In addition to the two collections above, the company also holds a complete back catalogue of their newspaper publications with The Times dating back to 1785 and The Sunday Times dating back to 1822. These collections have not been recognised on the balance sheet as it has not been possible to obtain a valuation due to the one off nature of the collections.

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.

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

1 Accounting policies *(continued)*

Leases

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

Pension costs and post retirement medical benefits

During the year, the employees of the company were members of pension schemes operated by NI Group 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.

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.

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.

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

1. 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 the 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 Group's estimate of the number of awards, which will lapse due to employees leaving the Group prior to vesting. The total amount recognised in the profit and loss account as an expense is adjusted to reflect the actual number of awards that will vest.

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.

2. Turnover

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

3. Other operating income

	2012	2011
	£000	£000
Other operating income	—	1,063

4. Operating loss

Operating loss is stated after charging

	2012	2011
	£000	£000
Operating lease costs		
- Plant and equipment	374	408

Included within operating loss is £22,100,000 (2011 £26,400,000) of costs recharged from other group companies at an appropriate mark up.

The operating lease costs relate to commitments held by News International Trading Limited (a fellow subsidiary).

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

5. Auditors' remuneration

	2012	2011
	£000	£000
Audit of the financial statements	<u>168</u>	<u>160</u>

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 NI Group Limited

6. Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	2012	2011
	No	No
Editorial	<u>513</u>	<u>542</u>

The aggregate payroll costs of the above were

	2012	2011
	£000	£000
Wages and salaries	39,131	45,223
Social security costs	3,967	4,234
Other pension costs	3,445	4,563
Equity-settled share-based payments	–	363
Cash-settled share-based payments	–	144
	<u>46,543</u>	<u>54,527</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' aggregate remuneration in respect of qualifying services were

	2012	2011
	£000	£000
Remuneration receivable	<u>7,526</u>	<u>6,577</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2012	2011
	No	No
Defined benefit schemes	<u>4</u>	<u>5</u>

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

7. Directors' remuneration (continued)

The Directors of the company are also directors of the holding company or fellow UK subsidiaries. The directors received total remuneration for the year as shown above, all of which was paid by a fellow group company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the subsidiary companies.

During the year £10,852,700 was payable to one director as compensation for loss of office (2011 £1,242,050)

8 Cost of reorganisation or restructuring

	2012	2011
	£000	£000
Cost of restructuring company	12,683	—

During the year the company has restructured its workforce to match the requirements of the business. The company has incurred £12,683,000 of redundancy costs relating to this restructure as at the balance sheet date. These costs have been classed as exceptional costs in the profit and loss account due to their one-off nature.

9. Pensions

The company participates in pension schemes operated by NI Group Limited (the company's intermediary UK parent company). 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. During 2011, NI Group Limited closed the main UK defined benefit pension plan to future accrual. The latest full actuarial valuation of the defined benefit schemes range from 4 July 2011 to 1 July 2012.

Following a group restructure on 4 July 2011, all pension expenses were transferred to NI Group Limited, where the group's pension provision is held. A recharge is made to the company for the services of the personnel working for the company.

The total pension cost for the company was £3,445,000 (2011 £4,563,000) of which £3,445,000 (2011 £3,502,000) relates to the defined contribution scheme and £Nil (2011 £1,061,000) relates to defined benefit schemes.

Employer's contributions are set in relation to the current service period only. There are no other obligations other than to pay a contribution that reflects the benefits earned in the current period. Under such circumstances FRS 17 'Retirement benefits' allows the scheme to be accounted for as a defined contribution scheme. 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 ultimate UK parent company). The NI Group Limited (the intermediary UK parent company) deficit as at 1 July 2012 is £83,143,000 (2011 £50,914,000). The fair value of the plans assets amounts to £240,025,000 (2011 £239,209,000) whilst the benefit obligations amounts to £323,168,000 (2011 £290,123,000).

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

10. Interest receivable and similar income

	2012	2011
	£000	£000
Other similar income receivable	<u>—</u>	<u>557</u>

11 Interest payable and similar charges

	2012	2011
	£000	£000
On loans from NI Group Limited - repayable after more than five years (note 19)	1,234	1,234
On amounts due to the immediate parent	<u>1,436</u>	<u>1,436</u>
	<u>2,670</u>	<u>2,670</u>

Interest was charged at 5% on the loan due to the immediate parent company in both years

12. Taxation on ordinary activities

(a) Analysis of charge in the year

	2012	2011
	£000	£000
Current tax		
UK Taxation		
In respect of the year		
UK Corporation tax based on the results for the year at 25 50% (2011 - 27 50%)	24	22
Double taxation relief	<u>(24)</u>	<u>(22)</u>
	-	-
Foreign tax		
Current tax on income for the year	<u>24</u>	<u>23</u>
Total current tax	24	23
Deferred tax		
Origination and reversal of timing differences	(4)	210
Effect of changed tax rate on opening balance	12	14
Prior year adjustment	<u>(9)</u>	<u>-</u>
Total deferred tax (note 17)	<u>(1)</u>	<u>224</u>
Tax on loss on ordinary activities	<u>23</u>	<u>247</u>

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

12. Taxation on ordinary activities *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 25.50% (2011 - 27.50%)

The differences are reconciled below

	2012 £000	2011 £000
Loss on ordinary activities before taxation	(28,731)	(11,622)
Loss on ordinary activities by rate of tax	(7,326)	(3,196)
Permanent differences	1,705	289
Decelerated capital allowances	4	5
Other timing differences	-	(99)
Group relief surrendered	5,641	3,024
Total current tax (note 12(a))	24	23

(c) Factors that may affect future tax charges

The standard rate of UK Corporation Tax reduced from 26% to 24% on 1 April 2012. The Finance Act 2012 received Royal Assent on 17 July 2012, with the 24% rate being substantively enacted from 26 March 2012.

The standard rate of corporation tax is set to reduce to 23% from 1 April 2013 and by a further 1% to a rate of 22% from 1 April 2014. These further reductions had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements.

13. Intangible fixed assets

	Publishing rights and titles £000
Cost	
At 4 July 2011 and 1 July 2012	1,425
Net book value	
At 1 July 2012	1,425
At 3 July 2011	1,425

An impairment review was performed and no provision was required.

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

14. Tangible fixed assets

	Heritage assets £000
Cost	
At 4 July 2011	1,936
Additions	<u>3</u>
At 1 July 2012	<u>1,939</u>
Net book value	
At 1 July 2012	<u>1,939</u>
At 3 July 2011	<u>1,936</u>

Heritage assets

Heritage assets are shown at a historic cost of £84,000 (2011 £81,000) and a valuation of £1,855,000 (2011 £1,855,000)

The collection of manuscripts, newspapers and other artefacts were independently valued at £1,524,000 in November 2003 by Sotheby's whilst the Art collection was valued at £331,000 by Robert Holden Limited in May 2001. The directors feel that these valuations are still appropriate.

Additions and disposals in the year

During the period there have been no significant additions to the collections. There have also been no heritage asset disposals during the current or prior periods.

Five-year financial summary of heritage asset transactions

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Purchases					
Manuscripts & other artefacts	<u>3</u>	<u>4</u>	<u>7</u>	<u>9</u>	<u>11</u>

There have been no disposals of any heritage assets over the five-year period.

15. Stocks

	2012 £000	2011 £000
Raw materials	<u>1,265</u>	<u>857</u>

16. Debtors

	2012 £000	2011 £000
Amounts owed by group undertakings	318,608	371,499
Other debtors	1,234	533
Prepayments and accrued income	3,049	2,217
Deferred taxation (note 17)	154	153
	<u>323,045</u>	<u>374,402</u>

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

17. Deferred taxation

The deferred tax included in the Balance sheet is as follows

	2012	2011
	£000	£000
Included in debtors (note 16)	154	153

The movement in the deferred taxation account during the year was

	2012	2011
	£000	£000
Balance brought forward	153	377
Profit and loss account movement arising during the year	1	(224)
Balance carried forward	154	153

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2012	2011
	£000	£000
Excess of depreciation over taxation allowances	141	139
Other timing differences	13	14
	154	153

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

18. Cash at bank and in hand

NI Group Limited (the company's intermediary UK parent company) operates two collective overdraft facilities with its bankers, which allows individual companies in the group to overdraw subject to an agreed limit of £20 million, for each facility, not being exceeded in aggregate. The overdraft facilities are also guaranteed by News Corporation.

19. Creditors: Amounts falling due within one year

	2012	2011
	£000	£000
Overdrafts	633,944	613,940
Amounts owed to group undertakings	152,740	169,528
Other taxation	326	545
Liability for cash-settled share-based payments < 1 year	–	249
Other creditors	3,363	6,999
Accruals and deferred income	10,012	14,724
	800,385	805,985

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

20. Creditors: Amounts falling due after more than one year

	2012	2011
	£000	£000
Amounts owed to group undertakings	45,400	45,400
Liability for cash-settled share-based payments	—	128
	<u>45,400</u>	<u>45,528</u>

Included within amounts owed to group undertakings are 5% unsecured loan stock due to NI Group Limited in 2021 of £12,679,000 (2011 £12,679,000) and 15% unsecured loan stock due to NI Group Limited in 2021, of £4,000,000 (2011 £4,000,000)

21. 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 in August 2009, March 2009, April 2009, August 2010, December 2010, March 2011 and August 2011. These were issued under the News Corporation 2005 Long Term Incentive Plan. Eligible employees received a number of RSUs which vest 25% each year on 15 August each year. Upon vesting the RSUs will be awarded based on scheme rules as News Corporation Class A Common Stock or as cash.

Share options and average share price

Details of the number of share options and the weighted average exercise price (WAEP) for both equity and cash settled share based payments outstanding during the year are as follows:

	2012		2011	
	No	WAEP	No	WAEP
		£		£
Outstanding at the beginning of the year	661,019 00	9 10	663,390 00	7 66
Granted during the year	—	—	87,834 00	10 13
Transfer (to)/from other group companies	(661,019 00)	9 10	13,460 00	6 43
Exercised during the year	—	—	(59,377 00)	7 20
Expired during the year	—	—	(44,288 00)	7 39
Outstanding at the end of the year	<u>—</u>	<u>—</u>	<u>661,019 00</u>	<u>8 02</u>
Exercisable at the end of the year	<u>—</u>	<u>—</u>	<u>390,655 00</u>	<u>9 10</u>

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

21. Share-based payments *(continued)*

The weighted average value of restricted stock units granted during the year was £Nil (2011 £10.13). There have been no share options granted during the year (2011 None). The weighted average share price at the date of exercise for the options granted was £Nil (2011 £9.84). The range of exercise prices for options outstanding during the year was £Nil (2011 £5.03 - £9.02).

Financial impact

The expense recognised for share-based payments in respect of employee services received during the year to 1 July 2012 is £Nil (2011 £507,000).

The portion of that expense arising from equity-settled share-based payment transactions is £Nil (2011 £363,000).

The carrying amount of the liability relating to cash-settled share-based payment transactions as at 1 July 2012 is £Nil, (2011 £377,000).

Transfer of share options

Following a group restructure on 4 July 2011, all share options and their related liabilities were transferred to News International Trading Limited (a fellow group company).

22. Guarantees

NI Group Limited (the company's intermediary UK parent company) operates two collective overdraft facilities with its bankers, which allows individual companies in the group to overdraw subject to an agreed limit of £20 million, for each facility, not being exceeded in aggregate. The overdraft facilities are also guaranteed by News Corporation.

23. Share capital

Authorised share capital:

	2012	2011
	£000	£000
850,000 "A" ordinary shares of £1 each	850	850
75,000 "B" ordinary shares of £1 each	75	75
75,000 "C" ordinary shares of £1 each	75	75
	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2012		2011	
	No	£000	No	£000
850,000 "A" ordinary shares of £1 each	850,000	850	850,000	850
75,000 "B" ordinary shares of £1 each	75,000	75	75,000	75
75,000 "C" ordinary shares of £1 each	75,000	75	75,000	75
	<u>1,000,000</u>	<u>1,000</u>	<u>1,000,000</u>	<u>1,000</u>

All shares rank equally except the 'A' shares which carry preferential rights in relation to the first £1 million of profit and the first £1 million on winding up of the company.

Times Newspapers Limited

Notes to the financial statements

Year ended 1 July 2012

24. Reserves

	Share-based payment £000	Profit and loss account £000
Balance brought forward	822	(449,428)
Loss for the year	—	(28,754)
Other movements		
Transfer to other group companies	(822)	—
Balance carried forward	<u>—</u>	<u>(478,182)</u>

25. Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Loss for the financial year	(28,754)	(11,869)
Equity settled share-based payments	(822)	363
Net reduction to shareholders' deficit	(29,576)	(11,506)
Opening shareholders' deficit	(447,606)	(436,100)
Closing shareholders' deficit	<u>(477,182)</u>	<u>(447,606)</u>

26. Leasing and other financial commitments

Commitments under operating lease agreements are held by News International Trading Limited, a fellow subsidiary within the Newscorp Investments group

27. Funding

The financial statements are prepared on the going concern basis

The net liabilities of the company are £477,182,000 (2011 £447,606,000) and net current liabilities are £435,146,000 at 1 July 2012 (2011 £405,439,000) NI Group Limited (the company's intermediary UK parent company) 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

28. Ultimate parent company

The Company's immediate parent company is Times Newspapers Holdings Limited, a company incorporated in England

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 principle place of business is at 1211 Avenue of the Americas, New York, NY10036 The smallest group in which they are consolidated is that headed by NI Group Limited, a company incorporated in England The consolidated financial statements of these groups are available to the public and may be obtained from 3 Thomas More Square, London E98 1XY