

Registration number: 00894646

Times Newspapers Limited

Report and financial statements

for the year ended 1 July 2018

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Times Newspapers Limited

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Times Newspapers Limited

Strategic Report for the year ended 1 July 2018

The directors present their Strategic Report and the financial statements of the company for the year ended 1 July 2018.

Principal activities and business review

Times Newspapers Limited forms part of the News Corporation (the “Company,” “News Corp,” “we,” “us,” or “our”) which is a global diversified media and information services company focused on creating and distributing authoritative and engaging content to consumers and businesses throughout the world. News Corporation comprises businesses across a range of media, including: news and information services, book publishing, digital real estate services and subscription video services in Australia, that are distributed under some of the world’s most recognizable and respected brands, including The Wall Street Journal, Dow Jones, The Australian, Herald Sun, The Sun, The Times, HarperCollins Publishers, Foxtel, FOX SPORTS Australia, realestate.com.au, realtor.com, talkSPORT and many others

The Times and The Sunday Times are the leading quality UK national newsbrands in terms of reach, across both print and paid digital audiences, according to PAMCo (Publishers Audience Measurement Company) data for the year ended 30 June 2018. In addition, during the year The Times overtook the Telegraph to become number one UK quality newspaper by print circulation volume based on ABC (Audit Bureau of Circulation) data. It is no coincidence that such growth in readership comes alongside independent research highlighting the trustworthiness of The Times (Reuters Institute).

The company generated turnover for the year of £326,425,000 (2017 - £319,467,000) with an adjusted operating profit of £13,056,000 (2017 - £2,835,000) and an operating profit of £11,928,000 (2017 - operating loss of £4,185,000). The increase in turnover was underpinned by growth in digital subscription and digital advertising revenues which, supported by the impact of cover price increases, more than offset continuing industry-wide declines in print volumes and print advertising.

The Times and The Sunday Times reached a significant milestone in the year, surpassing half a million subscribers. Closing subscribers reached 502,000, a net growth of 55,000 in the year, the second biggest year of growth since the paywall was launched. Furthermore, digital subscribers have overtaken print subscribers for the first time, with 51% of the subscriber base now being digital. The Times and The Sunday Times online Registered Access model, launched on 28 July 2016, has delivered 3.8m registrations as at 30 June 2018. This model has continued to successfully showcase excellent content to non-subscribers through complimentary stories and a daily newsletter. It has also contributed to the decline in subscriber acquisition costs, which have almost halved in the year.

The business continues to focus on investing in talent and producing high quality journalism which was recognised with a host of awards and achievements. The Times was named National Newspaper of the Year at the Newsawards and Daily Newspaper of the Year at the London Press Club Awards 2018, while the Sunday Times won Supplement of the Year for the Sunday Times Magazine. Individual talent was also rewarded with journalists for the newspapers receiving 9 accolades from the 2018 Press Awards, including Columnist of the Year, Young Journalist of the Year and Travel Journalist of the Year.

The Times has continued building its brand beyond subscriptions. May 2018 saw the official launch of Mansion Global, a high end portal for luxury homes and mansions for sale, during a high profile event sponsored by Sotheby’s. Further, the business has built on The Times travel vertical with the launch of the Times Expert Traveller brand in December 2017. Expert Traveller provides unique travel experiences built around the passion points of Times readers. All trips are exclusive and have been hand-picked using the expertise of travel writers from across The Times and The Sunday Times.

The company’s EBITDA has increased compared to the prior year, primarily driven by the growth in revenue, while certain costs savings attributable to the fall in circulation volumes (e.g. printing, distribution) were offset by targeted digital re-investments. EBITDA for the year (excluding restructuring expense and one-off operating charges) was £18,205,000 (2017 - £6,993,000).

Times Newspapers Limited

Strategic Report for the year ended 1 July 2018 (continued)

Key performance indicators

The key performance indicators include Turnover, EBITDA growth and newspaper ABCs as shown in the detail below:

	2018	2017
	£ 000	£ 000
Turnover	326,425	319,467
EBITDA	17,077	(27)
EBITDA excluding restructuring expense and one-off operating charges	<u>18,205</u>	<u>6,993</u>

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation charges.

ABC Circulation (source: Audit Bureau of Circulations Limited 12 month certified average net circulation per issue):

	2018	2017
The Sunday Times	748,000	786,000
The Times	<u>440,000</u>	<u>446,000</u>

Future developments

The future for The Times and The Sunday Times remains strong with a continuing commitment to the delivery of high quality journalism for our readers. Digital newsroom is a key focus for the coming 12 months, whereby the business will look to embed digital into every aspect of content production, including storytelling, artificial intelligence and new formats.

Growth in digital subscriptions remains key to the ongoing success of the Times and The Sunday Times. Through targeted investments in technology, the business will aim to drive deeper engagement by offering a more tailored product to subscribers. The business will continue to market the 'The Times of London' brand outside the UK and seek to grow its international subscriber base, whilst also further growing its corporate reach.

Principal risks and uncertainties

The company's advertising volume, circulation and the price of paper are the key variables whose fluctuations can have a material effect on its operating results and cash flows. The company has to anticipate the level of advertising volume, circulation and paper prices in managing its business to maximize operating profit during expanding and contracting economic cycles. The company continues to be exposed to the risks associated with paper used for printing. Paper is a basic commodity and its price is sensitive to the balance of supply and demand; as such, the company's expenses are affected by the cyclical increases and decreases in the price of paper. The company's products compete for readership and advertising amongst its competitors and also compete with other media alternatives in their respective markets. Competition for circulation and subscriptions is based on the content of the products provided, pricing and, from time to time, various promotions. The success of these products also depends upon advertisers' judgements as to the most effective use of their advertising budgets. Competition for advertising is based upon the reach of the products, advertising rates and advertiser results. Such judgements are based on factors such as cost, availability of alternative media, distribution and quality of readership demographics.

Like other newspaper groups, the company faces challenges to its traditional print business model from new media formats and shifting consumer preferences. The company is also exposed to the impact of long term structural movements in advertising spending, in particular, the move in advertising from print to digital. These new media formats could impact the company's overall performance, positively or negatively.

Times Newspapers Limited

Strategic Report for the year ended 1 July 2018 (continued)

Principal risks and uncertainties (continued)

As a multi platform news provider, the company recognises the importance of maximising revenues from new media, both in terms of paid for content and in new advertising models, and continues to invest in its digital products. The development of technologies such as smartphones, tablets and similar devices and their related applications provides continued opportunities for the company to make its journalism available to a new audience of readers, introduce new or different pricing schemes, develop its products to continue to attract advertisers and/or affect the relationship between publisher and consumer. The company continues to develop and implement strategies to exploit its content in new media channels, including the implementation of digital subscriptions and bundles with other News Corp subsidiaries.

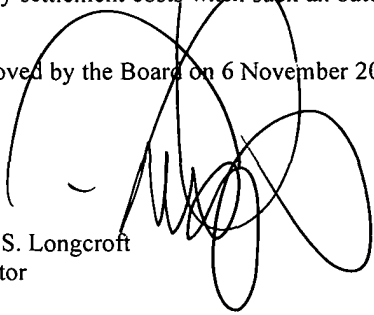
The company has no trade debtors, with other companies within the News UK group collecting advertising and circulation revenue on behalf of the company. Bad debts associated with advertising and circulation revenue are recharged to the company. Credit checks are performed for all new advertising customers 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.

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

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

The company is exposed to libel claims in the ordinary course of business and vigorously defends against claims received. The Group makes provision for the estimated costs to defend such claims when incurred and provides for any settlement costs when such an outcome is judged probable.

Approved by the Board on 6 November 2018 and signed on its behalf by:


C. C. S. Longcroft
Director

Times Newspapers Limited

Directors' Report For the year ended 1 July 2018

The directors present their report and the financial statements of the company for the year ended 1 July 2018.

Going concern

News Corporation has committed to provide financial support until at least 31 March 2020 to News Corp Investments UK & Ireland which in turn supports News Corp UK & Ireland Limited and its subsidiary undertakings.

News Corp UK & Ireland Limited operates two collective facilities, in which News Corp UK & Ireland Limited 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.

The News UK 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 News Corp UK & Ireland Limited.

The above 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 profit for the year, after taxation, amounted to £9,555,000 (2017 - loss of £8,016,000).

The directors do not recommend a dividend (2017 - £Nil).

Directors

The directors who held office during the year were as follows:

R. M. Brooks

D. W. Dinsmore

M. C. Gill

M. P. Ivens

J. Witherow

C. C. S. Longcroft

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.

Times Newspapers Limited

Directors' Report (continued) For the year ended 1 July 2018

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 judgement is given against the director; and 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 them 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.

Directors' responsibilities statement

The directors acknowledge their responsibilities for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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; 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 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.

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 the 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.

Times Newspapers Limited

Directors' Report (continued) For the year ended 1 July 2018

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 News UK 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.

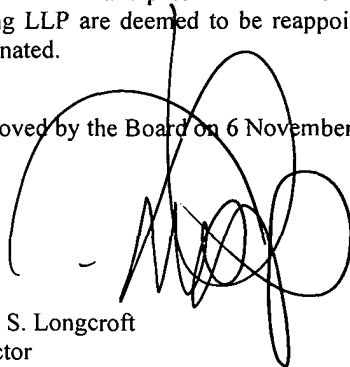
Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Auditors

The directors have passed a resolution to dispense with the requirement to reappoint auditors annually. Ernst & Young LLP are deemed to be reappointed as auditor in the absence of a notice that the appointment is to be terminated.

Approved by the Board on 6 November 2018 and signed on its behalf by:

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

C. C. S. Longcroft
Director

1 London Bridge Street
London
SE1 9GF

Independent Auditor's Report to the Members of Times Newspapers Limited

Opinion

We have audited the financial statements of Times Newspapers Limited for the year ended 1 July 2018 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 1 July 2018 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Times Newspapers Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Neil Cullum (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor, London

Date: 9/11/2018

Times Newspapers Limited

Profit and Loss Account For the year ended 1 July 2018

	Note	2018 £ 000	2017 £ 000
Turnover	3	326,425	319,467
Cost of sales		<u>(212,334)</u>	<u>(212,526)</u>
Gross profit		114,091	106,941
Sales and marketing costs		(35,043)	(33,084)
Administrative expenses		<u>(65,992)</u>	<u>(71,022)</u>
Adjusted operating profit	4	13,056	2,835
Restructuring expense	8	<u>(1,128)</u>	<u>(7,020)</u>
Operating profit/(loss)	4	11,928	(4,185)
Interest payable and similar expenses	9	<u>(2,345)</u>	<u>(2,361)</u>
Profit/(loss) before tax		9,583	(6,546)
Taxation	10	<u>(28)</u>	<u>(1,470)</u>
Profit/(loss) for the financial year		<u><u>9,555</u></u>	<u><u>(8,016)</u></u>

All amounts relate to continuing operations.

Adjusted operating profit is defined as total operating profit before restructuring expense.

Statement of Comprehensive Income For the year ended 1 July 2018

	2018 £ 000	2017 £ 000
Financial profit/(loss) for the year	<u>9,555</u>	<u>(8,016)</u>
Total comprehensive income for the year	<u><u>9,555</u></u>	<u><u>(8,016)</u></u>

The notes on pages 12 to 25 form part of these financial statements.

Times Newspapers Limited
Registered number: 00894646

Balance Sheet
As at 1 July 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Intangible assets	11	9,202	7,957
Heritage assets	12	<u>1,614</u>	<u>1,614</u>
		<u>10,816</u>	<u>9,571</u>
Current assets			
Stocks	13	651	641
Debtors	14	14,603	99,269
Cash at bank and in hand	16	<u>5,954</u>	<u>2,342</u>
		21,208	102,252
Creditors: Amounts falling due within one year	17	<u>(485,573)</u>	<u>(574,602)</u>
Net current liabilities		<u>(464,365)</u>	<u>(472,350)</u>
Total assets less current liabilities		(453,549)	(462,779)
Creditors: Amounts falling due after more than one year	17	<u>(46,476)</u>	<u>(46,801)</u>
Net liabilities		<u>(500,025)</u>	<u>(509,580)</u>
Capital and reserves			
Called up share capital	20	1,000	1,000
Profit and loss account		<u>(501,025)</u>	<u>(510,580)</u>
Shareholder's deficit		<u>(500,025)</u>	<u>(509,580)</u>

Approved and authorised by the Board on 6 November 2018 and signed on its behalf by:

C. C. S. Longcroft
Director

The notes on pages 12 to 25 form part of these financial statements.

Times Newspapers Limited

Statement of Changes in Equity For the year ended 1 July 2018

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 3 July 2017	1,000	(510,580)	(509,580)
Profit for the financial year	-	9,555	9,555
Total comprehensive income	-	9,555	9,555
At 1 July 2018	1,000	(501,025)	(500,025)

Statement of Changes in Equity For the year ended 2 July 2017

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 4 July 2016	1,000	(502,564)	(501,564)
Loss for the financial year	-	(8,016)	(8,016)
Total comprehensive income	-	(8,016)	(8,016)
At 2 July 2017	1,000	(510,580)	(509,580)

The notes on pages 12 to 25 form part of these financial statements.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018

1 General information

The company is a limited liability company incorporated in England and Wales under the Companies Act.

The address of its registered office is:

1 London Bridge Street

London

SE1 9GF

These financial statements were authorised for issue by the Board on 6 November 2018.

The nature of the company's operations and its principal activities are set out in the Strategic Report on page 1.

2 Accounting policies

Statement of compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the Companies Act 2006.

Basis of preparation

The financial statements of Times Newspapers Limited have been prepared on a going concern basis, under the historical cost convention, modified to include certain items at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The financial statements 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 2018 (52 weeks to 2 July 2017). The financial statements are presented in pounds sterling which is the functional currency of the company, and rounded to the nearest £'000.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

FRS 102 paragraph 1.12 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to the use of exemptions by the company's shareholders. The equivalent disclosures are included in the consolidated financial statements of News Corporation, the ultimate parent undertaking.

The company has taken advantage of the following exemptions:

- (a) From preparing a statement of cash flows and related notes as required by Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- (b) From the financial instruments disclosures as required by FRS 102 paragraph 11.42 to 11.48A and paragraphs 12.26 to 12.27, 12.29 (a) & (b) and 12.29A, including:
 - Categories of financial instruments,
 - Items of income, expenses, gains or losses relating to financial instruments, and
 - Exposure to and management of financial risks.
- (c) From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

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 102 Section 33 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the group headed by News Corporation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company, and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) the costs incurred or to be incurred in respect of the transaction can be measured reliably and (e) it is probable that future economic benefits will flow to the entity. Specific revenue recognition criteria also apply depending on the revenue stream, as described below:

Print advertising revenue is recognised on issue of publication net of any agency rebate.

Digital advertising revenue is recognised on a straight line basis over the period of the online campaign.

Circulation revenue is recognised at the point of sale. A deduction is made from circulation revenue for expected returns and is updated for actual returns as known.

Subscriptions revenue is recognised on a straight line basis over the period of the subscription.

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

Interest receivable and payable

Interest receivable and payable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

2 Accounting policies (continued)

Leases

Rentals payable under operating leases are charged on a straight line basis to the profit and loss account over the lease term. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

Pension

The employees of the company participate in a defined contribution pension scheme; the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

Taxation expense for the reporting period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax, including UK corporation tax and foreign tax, is the amount payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of 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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are considered as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits or deferred tax liabilities in the foreseeable future against which to recover carried forward tax losses and from which the future reversal of 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 are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated 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 For the year ended 1 July 2018 (continued)

2 Accounting policies (continued)

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Internal use software

3 years

Heritage Assets

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 had previously been 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. However, FRS 102 paragraph 34.51 requires entities to recognise and measure heritage assets using the cost model or revaluation model. The company has applied the cost model, and has taken the deemed cost exemption under FRS 102 paragraph 35.10(d). As a result all heritage assets are carried at cost, from the date of transition. No depreciation has been charged on these assets.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. 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.

Provision is made for obsolete, slow moving or defective items where appropriate.

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

2 Accounting policies (continued)

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Critical judgements in applying the company's accounting policies

No critical judgements in applying the company's accounting policies have been identified in the current or preceding year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Contract discount and rebate provisions

The Company enters into agreements with advertising agencies and certain clients, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency or client based on the level of their spend over the contract period. These rebates can take the form of free advertising space, cash payments or both. The rebate provision is calculated using the forecast spend over the contract period and rebate entitlement set out in the trading agreement. Calculating the required provision therefore requires an estimate of future period spend in determining what tier of spend the agencies may reach over the agreement.

b. Recoverability of deferred tax assets

The company makes estimates regarding the recoverability of deferred tax assets relating to brought forward losses based on forecasts of future taxable profits which are, by their nature, uncertain. The deferred tax asset recognised at 1 July 2018 was £Nil (2017 - £Nil).

c. Provision for libel claims

The company is exposed to libel claims in the ordinary course of business and vigorously defends against claims received. The company makes provision for the estimated costs to defend such claims when incurred and provides for any settlement costs when such an outcome is judged probable. The libel provision as at 1 July 2018 was £1,553,000 (2017 - £2,546,000) and is included in creditors: amounts falling due within one year.

3 Turnover

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

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

4 Operating profit

Arrived at after charging:-

	2018 £ 000	2017 £ 000
Operating lease expense - plant and machinery	300	307
Pension costs	2,792	3,168
Amortisation expense	<u>5,149</u>	<u>4,158</u>

The operating lease costs relate to commitments held by News UK & Ireland Limited, a fellow subsidiary within the News UK group.

5 Auditor's remuneration

	2018 £ 000	2017 £ 000
Audit of financial statements	<u>232</u>	<u>232</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	36,076	36,970
Social security costs	4,196	4,154
Pension costs	<u>2,792</u>	<u>3,168</u>
	<u>43,064</u>	<u>44,292</u>

Included in wages and salaries is £Nil (2017 - £2,863,000) of compensation for loss of office costs which are reported within restructuring costs.

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	2018 No.	2017 No.
Editorial	<u>505</u>	<u>483</u>

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

7 Directors' remuneration

The directors' remuneration for the period was as follows:

	2018 £ 000	2017 £ 000
Remuneration	7,750	7,146
Value of company contributions to defined contribution pension schemes	20	23
	<u>7,770</u>	<u>7,169</u>

The number of directors who through participating in News Corporation's long term incentive plan were remunerated in News Corporation Common A stock were as follows:

	2018 No.	2017 No.
Long term incentive plan	<u>6</u>	<u>6</u>

In respect of the highest paid director:

	2018 £ 000	2017 £ 000
Remuneration	<u>2,808</u>	<u>2,669</u>

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 holding company or subsidiary companies.

During the year no amounts were paid to former directors as compensation for loss of office (2017 - £nil).

8 Restructuring expense

	2018 £ 000	2017 £ 000
Restructuring expense	<u>1,128</u>	<u>7,020</u>

During the year the company restructured its workforce to match the requirements of the business and incurred £1,128,000 of redundancy costs relating to this restructure as at the balance sheet date.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

9 Interest payable and similar expenses

	2018	2017
	£ 000	£ 000
On loans from group undertakings	909	925
On loans due to the parent undertaking	1,436	1,436
	<u>2,345</u>	<u>2,361</u>

Interest was charged at 5% on the loan due to the parent undertaking in both years. Interest was charged at 5.1% on the loan due from group undertakings in both years.

10 Taxation

Tax charged in the profit and loss account

	2018	2017
	£ 000	£ 000
Tax charge in the profit and loss account		
Foreign tax	28	27

Deferred taxation

Origination and reversal of timing differences	-	1,244
Effect of rate change	-	170
Adjustments in respect of prior years	-	29
Total deferred taxation	<u>-</u>	<u>1,443</u>
Tax charge in the profit and loss account	<u>28</u>	<u>1,470</u>

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.75%).

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

10 Taxation (continued)

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit/(loss) before tax	9,583	(6,546)
Corporation tax at standard rate	1,821	(1,293)
Expenses not deductible for tax purposes	172	218
Effect of rate changes	-	170
Deferred tax not recognised	308	1,904
Adjustments in respect of prior years	-	27
Decrease in UK and foreign current tax from adjustment for prior periods	(62)	-
Group relief and transfer pricing adjustments	(2,862)	519
Effect of prior year adjustment	734	29
Other permanent differences	(83)	(104)
Total tax charge	28	1,470

Factors that may affect future tax charges

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017 and will reduce to 17% from 1 April 2020. The 2016 Budget announced that the rate would reduce to 17% from 1 April 2020, which was enacted on 16 September 2016. No subsequent changes have been announced in relation to UK corporation tax rates.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

11 Intangible assets

	Internal use software £ 000
Cost	
At 3 July 2017	18,602
Additions	6,395
Disposals	(283)
At 1 July 2018	<u>24,714</u>
Amortisation	
At 3 July 2017	10,645
Amortisation charge	5,150
Amortisation eliminated on disposals	(283)
At 1 July 2018	<u>15,512</u>
Net book value	
At 1 July 2018	<u>9,202</u>
At 2 July 2017	<u>7,957</u>

12 Heritage assets

	£ 000
Cost	
At 3 July 2017	<u>1,614</u>
At 1 July 2018	<u>1,614</u>
Net book value	
At 1 July 2018	<u>1,614</u>
At 2 July 2017	<u>1,614</u>

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

12 Heritage assets (continued)

The collection of manuscripts, newspapers and other artefacts were independently valued at £1,524,000 in November 2003 by Sotheby's with additional purchases made at cost amounting to £90,000. The directors feel that this valuation is still appropriate. The company has applied the cost model, and has taken the deemed cost exemption under FRS 102 paragraph 35.10(d), as a result all heritage assets are carried at cost, from the date of transition.

Additions and disposals in the year

During the period there have been no additions or disposals to the collections of heritage assets.

Five year history

There have been no significant additions or disposals of heritage assets within the past 5 financial years.

13 Stocks

	2018	2017
	£ 000	£ 000
Raw materials and consumables	<u>651</u>	<u>641</u>

14 Debtors

	2018	2017
	£ 000	£ 000
Amounts owed by group undertakings	439	88,943
Other debtors	6,494	5,054
Prepayments and accrued income	<u>7,670</u>	<u>5,272</u>
	<u>14,603</u>	<u>99,269</u>

All amounts owed by group undertakings relate to trading balances with no fixed repayment terms and no interest charged.

15 Deferred tax

The deferred tax is made up as follows:

	2018	2017
	£ 000	£ 000
Balance brought forward	-	1,443
Profit and loss movement arising during year	-	(1,244)
Effect of rate change	-	(170)
Adjustments in respect of prior periods	<u>-</u>	<u>(29)</u>
	<u>-</u>	<u>-</u>

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

15 Deferred tax (continued)

There are £2,102,000 of unused tax losses (2017 - £1,904,000) for which no deferred tax asset is recognised in the Balance Sheet.

16 Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash at bank	5,954	2,342

News Corp UK & Ireland Limited operates two collective overdraft facilities with its bankers, which allows individual companies in the News UK 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.

17 Creditors

	2018 £ 000	2017 £ 000
Due within one year		
Amounts due to group undertakings	440,989	534,333
Social security and other taxes	1,685	1,541
Other payables	5,586	3,985
Accrued expenses	37,313	34,743
	<u>485,573</u>	<u>574,602</u>
Due after one year		
Amounts due to group undertakings	<u>46,476</u>	<u>46,801</u>

Included within amounts due to group undertakings are 5% unsecured loan stock due to News Corp UK & Ireland Limited in 2021 of £12,679,000 (2017 - £12,679,000), 15% unsecured loan stock due to News Corp UK & Ireland Limited in 2021 of £5,076,000 (2017 - £5,401,000) and 5% unsecured loan stock due to Times Newspapers Holdings Limited in 2021 of £28,721,000 (2017 - £28,721,000). All other amounts due to group undertakings relate to trading balances with no fixed repayment terms and no interest charged.

18 Funding

The financial statements are prepared on the going concern basis.

The net liabilities of the company are £500,025,000 at 1 July 2018 (2017 - £509,580,000). News Corp UK & Ireland Limited, the immediate 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.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 1 July 2018 (continued)

19 Pension and other schemes

The company participates in pension schemes operated by News Corp UK & Ireland 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 calculated 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, News Corp UK & Ireland Limited closed the main UK defined benefit pension plan to future accrual. The latest full actuarial valuation of the defined benefit schemes range from 30 September 2016 to 30 June 2018.

Following a group restructure on 4 July 2011, all pension expenses were transferred to News Corp UK & Ireland 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 £2,792,000 (2017 - £3,863,000) all of which relates to defined contribution schemes.

Retirement benefit obligation disclosures for the defined benefit schemes are not presented in these company accounts, as the defined benefit scheme is a group scheme, and there is no group policy in place for charging the net defined benefit cost to individual group companies. Under FRS 102, this means that the defined benefit scheme deficit should be recognised in the financial statements of the group entity that is legally responsible for the plan, which for this group is News Corp UK & Ireland Limited. The News Corp UK & Ireland Limited asset as at 1 July 2018 is £26,766,000 (2017 - net liability of £65,610,000). The fair value of the plans assets amounts to £422,119,000 (2017 - £423,139,000) whilst the benefit obligations amounts to £395,353,000 (2017 - £488,749,000).

20 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£ 000	No.	£ 000
"A" Ordinary shares of £1 each	850,000	850	850,000	850
"B" Ordinary shares of £1 each	75,000	75	75,000	75
"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 For the year ended 1 July 2018 (continued)

21 Leasing and other financial commitments

Commitments under operating lease agreements are held by News UK & Ireland Limited, another company within the News UK group.

22 Ultimate parent company

The company's immediate parent is Times Newspapers Holdings Limited, incorporated in England and Wales.

The ultimate parent is News Corporation, incorporated in Delaware in the United States.

The smallest and largest group in which the results of the company are consolidated is that headed by News Corporation, whose principal place of business is at 1211 Avenue of the Americas, New York, NY 10036. The consolidated financial statements are available to the public and may be obtained from 1 London Bridge Street, London, SE1 9GF.