

Times Newspapers Limited

**Report and Financial Statements
30 June 2002**

Registered number: 894646



Contents

	Page
Directors' report	1
Auditors' report	3
Principal accounting policies	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Directors' report

For the year ended 30 June 2002

The Directors present their annual report on the affairs of Times Newspapers Limited ("the Company") together with the financial statements and auditors' report for the year ended 30 June 2002.

Principal activity

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 ("the Group") and, in some cases, external printers.

Business review

The Company generated turnover for the year of £364,085,000 (2001- £412,502,000). The Company's operating loss for the year was £13,657,000 (2001 – profit of £22,085,000). The Directors expect the general level of activity to continue for the foreseeable future.

The Company's loss after taxation was £16,318,000 (2001 – profit of £19,210,000).

An ordinary dividend of £108,356,000 has been paid and the Directors do not recommend the payment of a final dividend (2001 - £nil).

Directors and their interests

The Directors of the Company who served during the year were as follows:

L. F. Hinton	
R. M. Linford	
A. MacLeod	
C. A. Milner	(appointed 12 December 2001)
K. R. Murdoch	(Chairman)
Sir Edward Pickering	(Vice Chairman)
C. A. Rhodes	(resigned 12 December 2001)
P. M. Stothard	(resigned 13 March 2002)
R. J. Thomson	(appointed 13 March 2002)
J. Witherow	

The Articles of Association do not require Directors to retire either by rotation or in the year of appointment.

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

None of the Directors have interests in shares in group companies or any other interests that require disclosure in accordance with Companies Act law.

Charitable and political contributions

Charitable contributions made by the Company in the financial year amounted to £2,420 (2001 - £1,500).

There were no political contributions (2001 - £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.

Directors' report - continued

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 Group of which it is a member.

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

Auditors

Arthur Andersen resigned as auditors during the year and Ernst & Young LLP were appointed in their place.

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

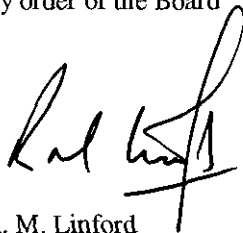
Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



R. M. Linford
Director

1 Virginia Street
London
E98 1XY

30 September 2002

Independent auditors' report

To the members of Times Newspapers Limited

We have audited the Company's financial statements for the year ended 30 June 2002 which comprise the accounting policies, the Profit and Loss Account, the Balance Sheet and the related notes numbered 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Director's Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

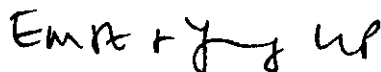
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

30 September 2002

Principal accounting policies

30 June 2002

Basis for preparation

The financial statements are prepared under the historical cost convention, and in accordance with Generally Accepted Accounting Principles.

In preparing the financial statements for the current year, the Company has adopted FRS 18 'Accounting Policies', FRS 19 'Deferred Tax' and the transitional arrangements of FRS 17 'Retirement Benefits'. Adoption of these standards has not required any revisions to the financial statements in either the current or prior periods.

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 The News Corporation Limited ("TNCL"), the ultimate parent company.

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.

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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents the purchase cost of stock.

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.

Foreign currency

Transactions in foreign currencies are recorded at the ruling as 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.

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 substantially 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.

Turnover

Turnover is the net amount receivable by the Company in the ordinary course of its business, excluding trade discounts, value added tax and other sales related taxes.

Principal 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

The employees of the Company participate in either a defined contribution or a defined benefit pension scheme, both of which require contributions to be made to separately administered funds.

For defined contribution schemes 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.

For defined benefit schemes contributions are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Company. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either accruals or prepayments in the balance sheet.

The Company has agreed to provide additional post-retirement healthcare benefits to certain current and former employees. The estimated cost of providing such benefits is charged against profits on a systematic basis over the employees' working lives within the Company.

Related party transactions

The Company distributes its national newspapers through a group undertaking and sells all of its advertising space to another group undertaking. Accordingly, substantially all of the Company's turnover is derived from group undertakings.

Some of the Company's production and printing services together with administrative and support services, including personnel resources, are supplied by other members of the Group.

Therefore, a substantial part of the Company's reported activity relates to group transactions.

As a wholly owned subsidiary undertaking of TNCL 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 members of the group headed by TNCL.

Profit and loss account
For the year ended 30 June 2002

	Notes	2002 £'000	2001 £'000
Turnover	1	364,085	412,502
Cost of sales		(281,623)	(281,370)
Gross profit		<u>82,462</u>	<u>131,132</u>
Other operating expenses (net)	2	(96,119)	(109,047)
Operating (loss)/profit	3	(13,657)	22,085
Finance charges (net)	4	(2,661)	(2,875)
(Loss)/profit on ordinary activities before taxation		<u>(16,318)</u>	<u>19,210</u>
Tax on profit on ordinary activities	8	-	-
(Loss)/profit for the financial year		<u>(16,318)</u>	<u>19,210</u>
Dividends	9	(108,356)	-
Retained (loss)/profit for the financial year	16	<u>(124,674)</u>	<u>19,210</u>

There are no recognised gains or losses other than the loss attributable to the shareholders of the Company of £16,318,000 in the year ended 30 June 2002 (2001 – profit of £19,210,000).

Details of movements on reserves are shown in note 16.

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

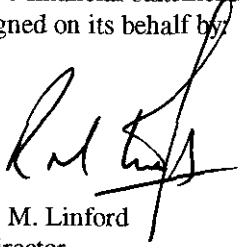
The accompanying principal accounting policies and notes are an integral part of this profit and loss account.

Balance sheet

30 June 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Intangible assets	10	1,425	1,425
Current assets			
Stocks	11	1,131	1,442
Debtors	12	98,983	94,979
Cash at bank and in hand	13	318,360	592,291
		418,474	688,712
Creditors: Amounts falling due within one year	14	(389,817)	(535,381)
Net current assets		28,657	153,331
Total assets less current liabilities		30,082	154,756
Creditors: Amounts falling due after more than one year	15	(45,400)	(45,400)
Net (liabilities)/assets	18	(15,318)	109,356
Equity capital and reserves			
Called-up share capital	16	1,000	1,000
Profit and loss account	16	(16,318)	108,356
Equity shareholders' funds		(15,318)	109,356

The financial statements on pages 4 to 14 were approved by the Board of Directors on 30 September 2002 and signed on its behalf by



R. M. Linford
Director

30 September 2002

The accompanying principal accounting policies and notes are an integral part of this balance sheet.

Notes to the financial statements

30 June 2002

1 Turnover

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

2	Other operating expenses (net)	2002 £'000	2001 £'000
	Selling and marketing costs	31,871	35,692
	Administrative expenses	64,248	73,355
		<hr/> 96,119	<hr/> 109,047

3 Operating loss

	This is stated after charging:	2002 £'000	2001 £'000
	Operating lease rentals		
	- plant and machinery	719	651
		<hr/>	<hr/>

Auditors' remuneration, including amounts payable for non-audit services, is borne by another group undertaking.

4 Finance charges (net)

	Interest payable and similar charges	2002 £'000	2001 £'000
	On loans from News International plc		
	- repayable after more than five years (see note 14)	1,234	1,234
	On amounts due to immediate parent	1,436	1,436
	On amounts due to News International plc	-	205
		<hr/> 2,670	<hr/> 2,875

Interest was charged at 5% and 15% on loans due to News International plc ("NI plc").

Interest was charged at 5% on a loan due to the immediate parent company.

		2002 £'000	2001 £'000
	Investment income		
	Realised gain on foreign currency exchange	9	-
		<hr/>	<hr/>

		2002 £'000	2001 £'000
	Finance charges (net)		
	Investment income	9	-
	Less: Interest payable and similar charges	(2,670)	(2,875)
		<hr/> (2,661)	<hr/> (2,875)

Notes to the financial statements - continued

5 Staff costs

The average monthly number of employees (including directors) was:

	2002 Number	2001 Number
Editorial	499	519

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

	2002 £'000	2001 £'000
Wages and salaries	29,494	29,052
Social security costs	2,825	2,863
Other pension costs (note 7)	1,944	1,891
	<hr/> 34,263	<hr/> 33,806

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

6 Directors' remuneration

The Directors of the Company receive fees and other emoluments from NI plc. The following amounts represent the recharges made by NI plc, relating to services in connection with the management of the Company.

	2002 £'000	2001 £'000
Emoluments	1,084	975
Company contributions paid to defined benefit schemes	86	88

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

	2002 Number	2001 Number
Defined benefit schemes-	5	3

Notes to the financial statements - continued

6 Directors' remuneration - continued

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

	2002 £'000	2001 £'000
Emoluments	366	344
Accrued pension entitlement under the defined benefit scheme	7	83

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

7 Pensions and other post retirement benefits

The Company participates in two pension schemes operated by News International plc. The defined contribution scheme covers the majority of the executive, staff and works personnel. The remaining employees, mainly senior executives, are covered by a defined benefit multi-employer scheme 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 which are fully funded. The pension costs of the defined benefit scheme are in accordance with the advice of a qualified actuary using the projected unit method. The schemes are valued by an independent actuary on a triennial basis. The latest full actuarial valuation of the defined benefit scheme was prepared as at 1 July 2000 and updated to 30 June 2002.

The total pension cost for the Company was £1,944,000 (2001 - £1,891,000) of which £1,820,981 (2001 - £1,755,096) relates to the defined contribution scheme and £123,019 (2001 - £135,904) relates to the defined benefit scheme.

FRS17 'Retirement benefits' requires that, if possible, a pension scheme's underlying assets and liabilities be allocated to the entities sponsoring the scheme on a consistent and reasonable basis. If this is not possible, then the scheme should be accounted for as a defined contribution scheme.

As mentioned above, it has not been possible to identify the Company's share of the overall assets and liabilities, therefore the defined benefit scheme has been accounted for as a defined contribution scheme in these financial statements. FRS17 disclosure for the defined benefit scheme can be found in the financial statements of News International plc, another company in the Group.

Notes to the financial statements - continued

8 Taxation

Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is nil. The difference between the tax assessed and the standard rate of corporation tax in the UK of 30% (2001 – 30%) is reconciled below:

	2002 £'000	2001 £'000
(Loss)/profit on ordinary activities before taxation	(16,318)	19,210
Corporation tax at 30% (2001 – 30%)	(4,895)	5,763
Permanent disallowables and non taxable items	245	281
Group relief surrendered/(claimed)	4,650	(6,044)
Total current tax	-	-

9 Dividends

Dividends paid on equity shares

	2002 £'000	2001 £'000
£109.238 per ordinary A class share	92,852	-
£103.356 per ordinary B class share	7,752	-
£103.356 per ordinary C class share	7,752	-
	108,356	-

10 Intangible fixed assets

	Publishing rights and titles 2002 £'000
Cost Beginning and end of year	1,425

An impairment review was performed and no provision was required.

Notes to the financial statements - continued

11 Stocks

	2002 £'000	2001 £'000
Raw materials and consumables	1,114	1,282
Finished goods	17	160
	<u>1,131</u>	<u>1,442</u>

12 Debtors

Amounts falling due within one year:

	2002 £'000	2001 £'000
Due from group undertakings	95,433	83,917
Prepayments and accrued income	2,062	3,086
VAT	1,181	7,884
Other debtors	307	92
	<u>98,983</u>	<u>94,979</u>

13 Cash at bank and in hand

The Group operates a collective overdraft facility with its bankers which allows individual companies in the Group to overdraw subject to an agreed limit not being exceeded in aggregate. This facility is guaranteed by TNCL.

14 Creditors: Amounts falling due within one year

	2002 £'000	2001 £'000
Due to group undertakings	132,828	172,925
Other creditors	46	1,139
Accruals and deferred income	256,943	361,317
	<u>389,817</u>	<u>535,381</u>

15 Creditors: Amounts falling due after more than one year

	2002 £'000	2001 £'000
Due to NI plc after more than five years		
- 5% unsecured loan stock 2021	12,679	12,679
- 15% unsecured loan stock 2021	4,000	4,000
Due to immediate parent	28,721	28,721
	<u>45,400</u>	<u>45,400</u>

Notes to the financial statements - continued

16 Equity capital and reserves

a)	Called-up equity share capital	2002 £'000	2001 £'000
	Authorised:		
	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 and fully-paid:		
	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>

All shares rank equally except the "A" shares which carry preferential rights in relation to the first one million pounds of profit for the financial year.

b)	Reserves		Profit and loss account £'000
	Beginning of the year		108,356
	Loss for the financial year		(124,674)
	End of year		<u>(16,318)</u>
c)	Reconciliation of movements in shareholders' funds		
		2002 £'000	2001 £'000
	(Loss)/profit for the financial year	(16,318)	19,210
	Dividends paid on equity shares	(108,356)	-
	Net (reduction)/addition to shareholders' funds	<u>(124,674)</u>	<u>19,210</u>
	Opening shareholders' funds	<u>109,356</u>	<u>90,146</u>
	Closing shareholders' (deficit)/funds	<u>(15,318)</u>	<u>109,356</u>

Notes to the financial statements - continued

17 Leasing and other financial commitments

Commitments under operating lease agreements are held by News International Supply Company Limited, another company within the Group.

18 Funding

The financial statements are prepared on the going concern basis.

The net liabilities of the Company are £15,318,000 at 30 June 2002. News International plc the immediate parent of Times Newspapers Holdings Limited has confirmed its intention of providing continuing financial support to enable the Company to meet its liabilities as they fall due.

19 Guarantees

Under a collective group banking facility the Company has given multilateral guarantees in respect of bank overdrafts of other companies in the Group.

20 Ultimate parent company

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

The ultimate parent company is TNCL, a company incorporated in South Australia.

The largest group in which the results of the Company are consolidated is that headed by TNCL, whose principal place of business is at Holt Street, Sydney, New South Wales, Australia. The smallest group in which they are consolidated is that headed by Newscorp Investments, a company incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from 1 Virginia Street, London, E98 1FN.