

News Retail Services Limited

Report and Financial Statements 27 June 2010

Registered number: 3913001

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Directors' report

For News Retail Services Limited for the year ended 27 June 2010 (registered number 3913001)

The Directors present their annual report on the affairs of News Retail Services Limited ("the Company") together with the financial statements and auditors' report for the 52 weeks ended 27 June 2010 ("the year")

Principal activity

The principal activity of the Company was to sell and distribute newspapers in the Birmingham, Enfield and Leicester areas

On 6 July 2009, the Company ceased selling and distributing newspapers in Birmingham and Enfield, this followed the decision to adopt a Direct to Retail strategy, which is being undertaken by another group company

On 2 August 2009, the Company ceased selling and distributing newspapers at its final depot in Leicester

All operations of the Company ceased trading on 2 August 2009

Business review

The Company generated turnover for the year of £3,245,000 (2009 - £46,999,000) The Company's operating profit for the year was £11,766,000 (2009 - loss of £695,000)

During the year, the Company's immediate parent company, News International Limited, waived an intercompany loan of £12,620,000

The Company ceased trading on 2 August 2009 These financial statements are prepared on the going concern basis as a fellow group undertaking has committed to provide financial support to enable the Company to meet its liabilities as they fall due

Principal risks and uncertainties facing the business

The Company ceased trading on 2 August 2009 with all liabilities settled as at 27 June 2010

Going concern

As explained in the directors report above, the Company ceased trading on 2 August 2009 The financial statements do not include any provision for the future costs of terminating the business of the Company except to the extent that such were committed at the balance sheet date Newscorp Investments 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

Results and dividends

The Company's profit for the financial year was £11,427,000 (2009 – loss of £1,032,000)

The Company does not have any distributable reserves and accordingly no dividend can be paid (2009 - £nil)

Directors and their interests

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

M C Gill
S L Panuccio
C Stone

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

Directors' report - continued

Directors indemnity provision

News Corporation has indemnified one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' Report.

Charitable and political contributions

The Company has made no charitable or political contributions in the year (2009 - £Nil).

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 auditors in the absence of a notice that the appointment is to be terminated.

Statement of Directors' responsibilities

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

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

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement of disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each Director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



M C Gill

Director

3 Thomas More Square
London
E98 1XY

19 November 2010

Independent Auditors' report

To the members of News Retail Services Limited

We have audited the financial statements of News Retail Services Limited for the year ended 27 June 2010 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 14. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 27 June 2010 and of the company's 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.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Tony McCartney (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge

24/11/2010

Profit and loss account

For the year ended 27 June 2010

	Notes	Discontinued 2010 £'000	Discontinued 2009 £'000
Turnover	2	3,245	46,999
Cost of sales		(3,957)	(46,097)
Gross (loss)/profit		(712)	902
Administrative expenses		(142)	(1,597)
Intercompany loan waiver	3	12,620	-
Operating profit/(loss)	3	11,766	(695)
Interest payable and similar charges	5	(152)	(283)
Profit/(loss) on ordinary activities before taxation		11,614	(978)
Tax on profit/(loss) on ordinary activities	6	(187)	(54)
Profit/(loss) for the financial year	11	11,427	(1,032)

There are no recognised gains and losses other than the profit attributable to shareholders of the Company of £11,427,000 in the year ended 27 June 2010 (2009 – loss of £1,032,000)

Details of movements in reserves are shown in note 11

The notes to the financial statements are an integral part of this profit and loss account

Balance sheet

As at 27 June 2010

	Notes	2010 £'000	2009 £'000
Current Assets			
Debtors	7	-	3,161
Cash at bank and in hand	9	-	1,285
		<hr/>	<hr/>
		-	4,446
Creditors Amounts falling due within one year	10	-	(15,873)
		<hr/>	<hr/>
Net current liabilities		-	(11,427)
		<hr/>	<hr/>
Net liabilities		-	(11,427)
		<hr/>	<hr/>
Equity capital and reserves			
Called-up share capital	11	-	-
Profit and loss account	11	-	(11,427)
		<hr/>	<hr/>
Equity shareholders' deficit	11	-	(11,427)
		<hr/>	<hr/>

The financial statements on pages 4 to 11 were approved by the Board of Directors on 19 November 2010 and signed on its behalf by



M C Gill
Director

19 November 2010

The notes to the financial statements are an integral part of this balance sheet

Notes to the financial statements

27 June 2010

1 Principal accounting policies

Basis of preparation

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

The financial statements of the Company are made up to the Sunday closest to the 30 June each year. Consequently, the financial statements for the current period cover 52 weeks ended 27 June 2010.

In preparing the financial statements for the current year, the Company has adopted early FRS 30 'Heritage Assets' which becomes mandatory for all accounting periods beginning on or after 1 April 2010. As the Company does not hold any heritage assets, the adoption of FRS 30 has no impact on the financial statements.

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

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.

Going concern

As explained in the directors report on page 1 of the financial statements, the Company ceased trading on 2 August 2009. The financial statements do not include any provision for the future costs of terminating the business of the Company except to the extent that such were committed at the balance sheet date. Newscorp Investments 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.

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.

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.

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.

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.

Notes to the financial statements - continued

1 Principal 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

2 Turnover

All the Company's turnover and profit/(loss), in both the current year and prior year, was derived from the sale and distribution of newspapers in the United Kingdom

3 Operating profit/(loss)

	2010 £'000	2009 £'000
This is stated after charging		
Operating lease rentals		
- land and buildings	52	465
- other	2	15
Intercompany loan waiver	12,620	-
	<hr/>	<hr/>

Other members of the Newscorp Investments group provided the Company with administrative and support services

On 2 August 2009, the Company ceased to trade and as a result, the Company's immediate parent company, News International Limited, waived an intercompany loan balance of £12,620,000

The Directors of the Company received no remuneration for their services during the year (2009 - £Nil) The Directors received emoluments for their services provided to other group undertakings as disclosed in the financial statements of those companies

The Company has no employees (2009 - None)

4 Auditors Remuneration

	2010 £'000	2009 £'000
Audit of the financial statements	6	6
	<hr/>	<hr/>

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 News International Limited

Notes to the financial statements - continued

5 Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable to group undertakings	152	283

6 Tax on profit/(loss) on ordinary activities

a) The tax charge is made up as follows

	2010 £'000	2009 £'000
<i>Deferred tax (note 8)</i>		
Adjustment in relation to prior years	(155)	(69)
Current year movement at 28% (2009 – 28 %)	(32)	15
	<u>(187)</u>	<u>(54)</u>

b) Factors affecting current tax charge

The tax assessed on the loss on the ordinary activities for the year is £Nil (2009 - £Nil). The difference between the tax assessed and the standard rate of corporation tax in the UK of 28% (2009 – 28%) is explained below

	2010 £'000	2009 £'000
Profit/(loss) on ordinary activities before taxation	11,614	(978)
Corporation tax at 28% (2009 - 28%)	3,252	(274)
Permanent differences	-	2
Timing differences	(20)	19
Capital allowances in excess of depreciation	(12)	(4)
Non taxable intercompany loan waiver	(3,534)	-
Group relief surrendered	314	257
Total current tax	<u>-</u>	<u>-</u>

c) Factors affecting future tax charge

The Chancellor announced in the emergency budget on 22 June 2010 that the standard rate of UK Corporation Tax will be reduced from 28% to 27% from 1 April 2011, and there will be progressive annual reductions of a further 1% until a rate of 24% is reached with effect from 1 April 2014. The Finance Act (No 2) 2010 received Royal Assent on 27 July 2010, with the first of the rate reductions being substantively enacted from 21 July 2010 under UK GAAP.

Notes to the financial statements - continued

7 Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Trade debtors	-	2,296
Amounts due from group undertakings	-	172
Prepayments and accrued income	-	506
Deferred tax (note 8)	-	187
	<hr/>	<hr/>
	-	3,161
	<hr/>	<hr/>

8 Deferred Tax

The deferred tax included in the balance sheet is as follows

	2010 £'000	2009 £'000
Included in debtors (note 7)	-	187
	<hr/>	<hr/>

The movement in deferred taxation during the current year is as follows

	£'000
Beginning of the year	187
Charged to profit and loss account	
Adjustment in respect of prior years	(155)
Current year movement	(32)
	<hr/>
End of the year	-
	<hr/>

Deferred taxation is provided at 28% (2009 – 28%) as follows

	2010 £'000	2009 £'000
Accelerated capital allowances	-	17
Other timing differences	-	170
	<hr/>	<hr/>
	-	187
	<hr/>	<hr/>

Notes to the financial statements - continued

9 Cash at bank and in hand

The Newscorp Investments group operates a collective overdraft facility with its bankers, which allows individual companies in the Newscorp Investments group to overdraw subject to an agreed limit not being exceeded in aggregate. This facility is guaranteed by News Corporation.

10 Creditors: Amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft (note 9)	-	10,308
Trade creditors	-	1,128
Amounts due to group undertakings	-	2,959
Taxation and social security	-	13
Other creditors	-	925
Accruals and deferred income	-	540
	<hr/>	<hr/>
	-	15,873
	<hr/>	<hr/>

11 Equity capital and reserves

a) Called-up equity share capital

	2010 £	2009 £
Authorised 100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted and fully-paid 1 ordinary share of £1	1	1
	<hr/>	<hr/>

b) Reserves

	Profit and loss account £'000
Beginning of the year	(11,427)
Profit for the financial year	11,427
	<hr/>
End of the year	-
	<hr/>

Notes to the financial statements - continued

11 Equity capital and reserves - continued

c) Reconciliation of movements in shareholders' deficit

	2010 £'000	2009 £'000
Profit/(loss) for the financial year	11,427	(1,032)
Opening shareholders' deficit	(11,427)	(10,395)
Closing shareholders' deficit	-	(11,427)

12 Leasing and other financial commitments

Commitments under operating lease agreements are held by News International Limited and News International Supply Company Limited, other companies in the Newscorp Investments group

13 Guarantees

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

14 Ultimate parent company

The Company's immediate parent company is News International Limited, a company incorporated in England

The ultimate parent company is News Corporation, a company incorporated in Delaware

The smallest and largest group in which the results of the Company are consolidated is that of headed by News Corporation, whose principal place of business is at 1211 Avenue of the Americas, New York, NY10036. The consolidated financial statements of this group are available to the public and may be obtained from 3 Thomas More Square, London E98 1XY