

News Group Newspapers Limited

**Report and Financial Statements
27 June 2010**

Registered number: 679215

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Directors' report

For News Group Newspapers Limited for the year ended 27 June 2010 (registered number 679215)

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

Principal activity

The principal activity of the Company is the printing and publishing of The Sun and The News of the World newspapers. The Company uses the printing facilities of other members of the NewsCorp Investments group and, in some cases, external printers.

Business review

The Company generated turnover for the year of £654,236,000 (2009 restated - £638,896,000). The Company's operating profit for the year was £18,238,000 (2009 - loss of £15,530,000). The Directors expect the general level of activity to continue for the foreseeable future.

During the year, the NewsCorp Investments group has carried out a review of its method of making internal recharges to other group companies for services provided. Having changed the method of making internal recharges there has been a reduction of £15,977,000 in management charges for services provided when compared to the prior year.

The principal cause of the improved turnover was an increase in advertising revenue. The Sun delivered a record year for advertising, whilst both Titles have seen higher colour display revenue compared to the prior year. There has been strong growth in retail advertising, particularly from the major grocers, and from the motor industry. The World Cup also delivered significant incremental advertising revenues.

Circulation revenue is below prior year levels due to continued investment in regional pricing activity on both The Sun and News of the World, partially offset by improvements in retail terms on The Sun. The Sun and News of the World have both seen increases in market share as a result of the pricing activity during the year, market share which we have retained in areas of the country where prices have subsequently increased.

The Sun and News of the World have continued to deliver exclusive news stories and powerful editorial campaigns. The Sun produced a historic 3D edition including a World Cup wall chart and 3D glasses, generating a significant sales uplift. News of the World was honoured for its anti-bullying campaign with a prestigious national award, winning the Best Media Partnership at the inaugural Business and Charity Awards.

This year also saw the General Election take place, with The Sun delivering higher than expected uplifts based on previous general election performances. Our press capacity and direct-to-retail network gave The Sun a significant competitive advantage and led to a much greater presence in reporting the election results, compared to our competitors.

Both The Sun and News of the World have continued to invest in product development initiatives. *buzz*, The Sun's new Saturday magazine, was launched on 18th September 2010, replacing The Sun TV Guide, including revamped content and a larger format – the new format better reflects the breadth and modernity of The Sun brand. A new *Rated* section of the News of the World newspaper was launched on 19 September 2010 and the TV listings section of Fabulous magazine has been removed and replaced with editorial content and additional advertising pages. Both titles achieved success at the British Press Awards in March 2010.

Our readers have increased their direct engagement with our brands in ever-greater numbers.

The Sun's £9.50 Holidays promotion continues to lead the market in travel promotions, sending over 2m people on holiday every year and making The Sun the country's largest tour operator. The Sun's Dream Team fantasy football league and Sun Bingo continue to engage and entertain our readers. The Sun launched "Column Idol", giving 16-21 year olds the chance to write a column in the newspaper on a regular basis.

News of the World continues to deliver money-saving offers to its readers, particularly through Captain Cash and Go Green & Save, which paid out over £1m in cash-back to readers who recycled over 37,000 old mobile phones. And the newspaper continued to work at the community level – the launch of Score Stars has given a spotlight to amateur football league clubs and the newspaper sponsored places at a summer school at Oxford to give a taste of university to students that might not have otherwise considered entering further education.

Directors' report – continued

Business review - continued

Both newspapers continue to have a strong campaigning voice. This year, after a decade-long campaign led by News of the World, the Home secretary introduced "Sarah's law" in twelve police force areas and it will go nationwide next year. The Sun led a very successful campaign to help the victims of the Haiti earthquake.

The Company has led the way in championing paid-for content on the internet – on 14 October 2010, newsoftheworld.co.uk launched its new website (with a price option of £1.99 per month or £1 per day) and Fabulous magazine relaunched its website.

The Company continues to take advantage of innovations in technology – The Sun iPad App launched on 15 June 2010 with subscribers paying £4.99 per month and over three-quarters of subscribers downloading editions daily, on average. The Sun has also launched stand-alone iPhone Apps to support its Dream Team fantasy football league and to showcase its celebrity news through a new App for *bizarre* (at £1.19 for a 30 day subscription).

Principal risks and uncertainties facing the business

The Company recognises the challenges to its traditional business model from new technology and considers itself a multi-platform news provider, continually investing in its digital products. As readers use these new channels to access content, the Company recognises the importance of maximising revenues from digital subscriptions and advertising across these channels.

In common with other newspaper groups, the Company faces ongoing circulation challenges, which it is addressing through regional pricing initiatives and continuous product improvement. The developments of technologies such as the iPad provide a new and exciting way for The Sun and News of the World to showcase their journalism to a new audience of readers.

Along with other newspaper publishing groups the Company continually faces risks associated with the cost of its raw materials. Market prices for newsprint supplies continue to rise with demand increasing in the short term and mill capacity reduction expected to continue.

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

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

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

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section of the Directors' Report on pages 1 and 2.

As highlighted in note 20 to the financial statements, the Company meets its day-to-day working capital requirements through a collective overdraft facility which is guaranteed by News Corporation.

After making enquiries and because NewsCorp Investments has committed to provide financial support the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' report - continued

Results and dividends

The Company's profit for the financial year was £86,087,000 (2009 - £48,343,000)

No dividends were paid during the year (2009 - £Nil) and the Directors do not recommend the payment of a final dividend (2009 - £Nil)

Directors and their interests

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

M G Anderson	(resigned 13 July 2009)
R Brooks	(appointed 23 July 2009)
C A Milner	
J R Murdoch	(Chairman)
S L Panuccio	

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

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

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

Charitable contributions made by the Company in the financial year amounted to £105,083 (2009 - £51,225). There were no political contributions (2009 - £Nil).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

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

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

Auditors

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

Directors' report - continued

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 3. 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



S L Panuccio
Director

3 Thomas More Square
London
E98 1XY

19 November 2010

Independent Auditors' report

To the members of News Group Newspapers Limited

We have audited the financial statements of News Group Newspapers Limited for the year ended 27 June 2010 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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	2010 £'000	Restated 2009 £'000
Turnover	2	654,236	638,896
Cost of sales		(491,485)	(485,432)
Gross profit		162,751	153,464
Other operating expenses (net)	3	(144,513)	(168,994)
Operating profit/(loss)	4	18,238	(15,530)
Exceptional Items			
Intercompany recharge	8	-	450
Reorganisation expenses	8	-	(13,600)
Profit/(loss) on ordinary activities before investment income, interest and taxation		18,238	(28,680)
Interest receivable and similar income	9	71,293	71,659
Interest payable and similar charges	10	(975)	(2,698)
Profit on ordinary activities before taxation		88,556	40,281
Tax on profit on ordinary activities	12	(2,469)	8,062
Profit for the financial year	23	86,087	48,343

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company of £86,087,000 (2009 - £48,343,000)

Details of movements on reserves are shown in note 23

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

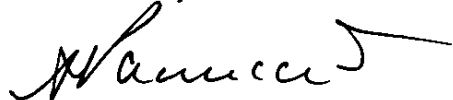
The notes to the financial statements are an integral part of this profit and loss account

Balance sheet

As at 27 June 2010

	Notes	2010 £'000	Restated 2009 £'000
Fixed assets			
Intangible assets	13	65,000	65,000
Tangible assets	14	35,315	30,382
Investments	16	720,500	720,500
		<hr/>	<hr/>
		820,815	815,882
Current assets			
Stocks	17	10,746	21,089
Debtors due within one year	18	2,895,776	2,914,925
Cash at bank and in hand	20	243	248
		<hr/>	<hr/>
		2,906,765	2,936,262
Creditors. Amounts falling due within one year	21	(1,062,830)	(1,173,479)
		<hr/>	<hr/>
Net current assets		1,843,935	1,762,783
		<hr/>	<hr/>
Total assets less current liabilities		2,664,750	2,578,665
Creditors: Amounts falling due after more than one year	22	(307)	(321)
		<hr/>	<hr/>
Net assets		2,664,443	2,578,344
		<hr/>	<hr/>
Equity capital and reserves			
Called-up share capital	23	2,625	2,625
Share premium	23	1,750,525	1,750,525
Other reserve	23	719,074	719,074
Equity share-based payments	23	234	1,043
Profit and loss account	23	191,985	105,077
		<hr/>	<hr/>
Equity shareholders' funds	23	2,664,443	2,578,344
		<hr/>	<hr/>

The financial statements on pages 6 to 23 were approved by the Board of Directors on 19 November 2010 and signed on its behalf by



S. L. Panuccio
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

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

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. The adoption of FRS 30 has resulted in a change in accounting policy for heritage assets and has resulted in the valuation of the Company's heritage assets being presented within the balance sheet. The impact of adopting FRS 30 has been reflected throughout the financial statements and comparatives have been restated where appropriate

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 members of the group headed by News Corporation

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section of the Directors' Report on pages 1 and 2

As highlighted in note 20 to the financial statements, the Company meets its day-to-day working capital requirements through a collective overdraft facility which is guaranteed by News Corporation

After making enquiries and because Newscorp Investments has committed to provide financial support the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Consolidated financial statements

Under Section 401 of the Companies Act 2006 the Company is exempt from the requirement to prepare group financial statements since it is a wholly owned subsidiary of News Corporation which prepares consolidated financial statements that are publicly available

Cash flow statement

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

Foreign currency

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

Notes to the financial statements – continued

1 Principal accounting policies – continued

Turnover

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

The Company has determined that the most appropriate presentation of revenue is to show the external revenue received from advertising, circulation and 'Sun Bingo' customers gross in the profit and loss account. Commission payable to other group companies and third parties who collect the revenue on the Company's behalf is shown as a cost of sale. Accordingly, the prior year numbers have been restated to conform to current year classification. This has no impact on either current or prior year gross profits.

Advertising revenue is recognised upon publication.

Circulation revenue is recognised at the point of sale. A provision is deducted from circulation revenue for expected returns and adjusted for actual returns as known.

Digital revenue is recognised over the period of the online campaign.

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Share-based payments

The cost of cash settled transactions is measured at fair value using an appropriate option-pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period, a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in carrying amount for the liability are recognised in profit and loss for the period.

The company issues equity-settled share-based payments to certain employees, which must be measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant using option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the company's estimate of the number of awards, which will lapse due to employees leaving the company prior to vesting.

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

Notes to the financial statements – continued

1 Principal accounting policies – continued

Pension costs and post retirement medical benefits

During the year, the employees of the Company were members of pension schemes operated by News International Limited, which require contributions to be made to separately administered funds. Contributions to these funds were charged to the profit and loss account as they became payable in accordance with the rules of the schemes.

Further details on the pension schemes are provided in the notes to the financial statements.

Leases

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

Publishing rights and titles

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

The Directors believe that the publishing rights and titles of The Sun and The News of the World have a sufficiently well established position in the market place to be defended against threats arising from current competitors, potential new entrants and potential technological changes in the industry.

Tangible fixed assets and depreciation

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

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

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

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

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

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

Heritage Assets

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

The collections are accounted for as follows:

1) Manuscripts, newspapers and other artefacts

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

Notes to the financial statements – continued

1 Principal accounting policies – continued

Heritage Assets - continued

2) Art collection

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

In addition to the two collections above, the Company also holds a complete back catalogue of their newspaper publications with The Sun dating back to 1964 and The News of the World dating back to 1843. These collections have not been recognised on the balance sheet due to the one off nature of these collections. A valuation could not be reasonably established without a considerable and costly valuation exercise being completed.

Investments

Investments are stated at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are held at purchase cost on a first-in first-out basis. Work in progress and finished goods are held at cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price, less further costs of disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

2 Turnover

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

3 Other operating expenses (net)

	2010 £'000	2009 £'000
Selling and marketing costs	36,825	51,102
Administrative expenses	108,282	120,173
Foreign exchange difference	87	-
	<hr/>	<hr/>
	145,194	171,275
Other operating income	(681)	(2,276)
Income on foreign exchange	-	(5)
	<hr/>	<hr/>
	144,513	168,994

Notes to the financial statements – continued

4 Operating profit/(loss)

This is stated after charging/(crediting)

	2010 £'000	2009 £'000
Depreciation of tangible fixed assets	13,696	12,168
Operating lease rentals		
- plant and machinery	774	2,926
(Profit)/loss on disposal of fixed assets	(8)	138

Included within operating profit are costs recharged from other group companies at an appropriate mark up

The Directors of the company received no remuneration for their services to the company 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

5 Auditors' remuneration

	2010 £'000	2009 £'000
Audit of the financial statements	137	120

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

6 Staff costs

The average monthly number of employees (including directors) was

	2010 Number	2009 Number
Editorial	575	609

Notes to the financial statements – continued

6 Staff costs - continued

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

	2010 £'000	2009 £'000
Wages and salaries	38,515	40,846
Social security costs	3,767	4,023
Other pension costs (note 7)	6,943	5,713
Equity share-based payments (note 11)	229	559
	<hr/>	<hr/>
	49,454	51,141
	<hr/>	<hr/>

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

7 Pensions

The Company participates in pension schemes operated by News International Limited. The defined contribution scheme covers the majority of the executive, staff and works personnel. The remaining employees, mainly senior executives, are covered by defined benefit multi-employer schemes and their share of the underlying assets and liabilities are not readily identifiable. The assets of the pension schemes are held in separate externally administered funds. The pension costs of the defined benefit schemes are in accordance with the advice of a qualified actuary using the projected unit method. The schemes are valued by an independent actuary on a triennial basis. The latest full actuarial valuation of the defined benefit schemes range from 1 July 2009 to 27 June 2010.

The total pension cost for the Company was £6,943,000 (2009 - £5,713,000) of which £2,677,000 (2009 - £1,903,000) relates to the defined contribution scheme and £4,266,000 (2009 - £3,810,000) relates to defined benefit schemes.

FRS 17 'Retirement benefits' requires that, if possible, a pension scheme's underlying assets and liabilities be allocated to the entities sponsoring the scheme on a consistent and reasonable basis. If this is not possible, then the scheme should be accounted for as a defined contribution scheme.

It has not been possible to identify the Company's share of the overall assets and liabilities, therefore defined contribution accounting has been adopted in these financial statements. FRS 17 disclosures for the defined benefit schemes can be found in the financial statements of Newscorp Investments. The deficit of the News International element as at 27 June 2010 is £56,635,000 (2009 - £52,532,000).

Notes to the financial statements - continued

8 Exceptional items

	2010 £'000	2009 £'000
Intercompany recharge	-	450
Reorganisation expenses	-	(13,600)
	<u>-</u>	<u>(13,150)</u>

Following the announcement on 12 October 2004 of investment in new printing plants by the NewsCorp Investments group a review of production staffing levels was undertaken. In October 2005 a selection process was completed for staffing requirements at the new printing plants. Other companies in the NewsCorp Investments group employ production employees. In the prior year the Company received a recharge of £450,000 in relation to the release of excess redundancy provision. All printing plants are now fully operational.

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

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

	2010 £'000	2009 £'000
Tax credit on exceptional items	-	3,682

9 Interest receivable and similar income

	2010 £'000	2009 £'000
Dividend income from fixed asset investment	70,894	70,780
Interest receivable from Group undertakings	399	879
	<u>71,293</u>	<u>71,659</u>

10 Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable to group undertakings	975	2,698

Notes to the financial statements - continued

11 Share-based payments

Employee Share Ownership Scheme

The Group operates an employee share ownership scheme which enables employees to enter into fixed-term savings contracts with independent financial institutions linked to an option for Class A Common Stock in its ultimate parent undertaking News Corporation. The savings contracts can range from three to seven years with an average expected life of four years.

Executive Share Plan

The share options were granted in November 2004 and were issued under the News Corporation 2004 Stock Option Plan. Eligible employees received a number of options over News Corporation Class A Common Stock. 25% vest annually on the anniversary of the grant date and will lapse after 10 years or if the employee leaves employment of the News Corporation Group.

Restricted Stock Units

The restricted stock units were granted on 3 October 2006, 8 August 2007 and 5 August 2008. These were issued under the News Corporation 2005 Long term Incentive Plan. Eligible employees received a number of restricted stock units which vest 25% each year on 15 August. Upon vesting the restricted stock units will be awarded as News Corporation Class A Common Stock. The restricted stock units lapse after 10 years or on leaving the employment of the News Corporation Group.

Financial impact

The expense recognised for share-based payments in respect of employee services received during the year to 27 June 2010 is £229,000 (2009 - £559,000).

The portion of that expense arising from equity-settled share-based payment transactions is £12,000 (2009 - £423,000).

The carrying amount of the liability relating to cash-settled share-based payment transactions as at 27 June 2010 is £411,000 (2009 - £361,000).

The following table summarises information about the company's stock option transactions for all the company's stock option plans.

	2010		2009	
	Options	WAEP (£)	Options	WAEP (£)
Outstanding at beginning of year	681,915	7.22	517,637	8.11
Granted during the year	-	-	240,347	5.42
Exercised during the year	(38,592)	7.40	-	-
Lapsed during the year	(129,171)	7.53	(91,095)	(7.55)
Transfer to/from other group companies	(47,858)	8.43	15,026	7.16
Outstanding at end of year	466,294	6.99	681,915	7.22
Exercisable at end of year	170,752	8.48	212,439	8.26

WAEP – Weighted Average Exercise Price

Notes to the financial statements - continued

11 Share-based payments - continued

The weighted average fair value of options granted during the year was £Nil (2009 - £2 23) The range of exercise prices for options outstanding at the end of the year was £5 03 - £9 02 (2009 - £5 03 - £9 02)

The fair value of each share option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in fiscal years

	2010	2009	2008	2007	2006
Weighted average risk free interest rate	-	1 56%	2 72%	4 50%	4 94%
Dividend yield	-	1 15%	0 56%	0 7%	0 7%
Expected volatility	-	36 29%	22 63%	26 98%	29 52%
Expected life of options	-	3-7 years	3-7 years	3-7 years	3-7 years
Weighted average share price (£)	-	6 29	9 83	11 28	8 98

The assumptions are derived as follows

The expected volatility was based on the historical volatility of News Corporations Class A Common Stock, the Weighted average risk free rate is an average of the interest rates of government bonds with similar lives on the dates of the share option grants and the dividend yield is calculated as an average of a ten year history of News Corporations yearly dividend divided by the financial years closing share price

12 Tax on profit on ordinary activities

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

	2010 £'000	2009 £'000
<i>Current tax</i>		
Current year corporation tax at 28% (2009 - 28%)	10,691	-
Corporation tax overprovided in previous years	(10,246)	(7,028)
	<hr/>	<hr/>
Total current tax (note 12(b))	445	(7,028)
<i>Deferred tax</i>		
Adjustment in respect of prior year deferred tax	2,883	119
Current year movement at 28% (2009 - 28%)	(1,136)	(1,184)
Settlement of share-based payments	277	31
	<hr/>	<hr/>
Total deferred tax	2,024	(1,034)
	<hr/>	<hr/>
Total tax charge/(credit)	2,469	(8,062)

The prior year adjustment primarily relates to a true up to the submitted tax computations and finally agreed position

Notes to the financial statements - continued

12 Tax on profit on ordinary activities - continued

b) Factors affecting current tax charge

The tax assessed on the profit on the ordinary activities for the year is £Nil (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 on ordinary activities before tax	88,556	40,281
Corporation tax at 28% (2009 - 28%)	24,796	11,279
Permanent differences	(19,346)	(18,718)
Decelerated capital allowances	1,274	1,197
Other timing differences	(201)	(169)
Other timing differences – share-based payments	(212)	156
UK transfer pricing adjustment	9,058	20,606
Group relief claimed	(4,678)	(14,351)
Tax assessed on the profit on ordinary activities for the year	10,691	-
Corporation tax overprovided in previous years	(10,246)	(7,028)
Total current tax	445	(7,028)

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.

The Chancellor also announced changes to the Capital Allowances regime. The rate of writing down allowances on expenditure on plant and machinery allocated to the main pool will be reduced from 20% to 18%, and the writing down allowances on expenditure allocated to the special rate pool (i.e. long-life assets and integral features) will be reduced from 10% to 8%. These will have effect from 1 April 2012. In addition, the maximum amount of the annual investment allowance (which provides 100% relief in the year of spend) will be reduced from £100,000 to £25,000, also from 1 April 2012.

13 Intangible assets

	2010 £'000	2009 £'000
Publishing rights and titles		
Cost and net book value		
Beginning and end of the year	65,000	65,000

Notes to the financial statements - continued

14 Tangible fixed assets

	Plant and Machinery £'000	Fixtures, Fittings and Motor Vehicles £'000	Assets in course of construction £'000	Heritage Assets £'000	Total £'000
Cost					
Beginning of the year (as restated)	115,482	28,621	7,983	106	152,192
Additions	19,215	1,913	(2,043)	2	19,087
Disposals	(2,547)	(173)	-	-	(2,720)
End of the year	132,150	30,361	5,940	108	168,559
Depreciation					
Beginning of the year	97,695	24,115	-	-	121,810
Charge for the year	11,333	2,363	-	-	13,696
Disposals	(2,134)	(128)	-	-	(2,262)
End of the year	106,894	26,350	-	-	133,244
Net book value					
Beginning of the year (as restated)	17,787	4,506	7,983	106	30,382
End of the year	25,256	4,011	5,940	108	35,315

Heritage Assets

Heritage assets are shown at a valuation of £93,000 (2009 - £93,000) and a historic cost of £15,000 (£13,000)

The heritage assets recorded at valuation consist of a collection of manuscripts, newspapers and other artefacts which were independently valued at £89,000 in November 2003 by Sotheby's and an Art collection which was valued at £4,000 by Robert Holden Limited in May 2001

The heritage assets recorded at the historic cost of £15,000 (2009 - £13,000) consist of a number of small items in relation to The Sun and The News of the World newspapers

The directors feel that these valuations are still appropriate

Additions and disposals in the year

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

Notes to the financial statements - continued

15 Heritage Assets

Five-year financial summary of heritage asset transactions

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Purchases					
Manuscripts, newspapers & other artefacts	2	2	5	3	-
Total Additions	2	2	5	3	-

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

16 Fixed asset investments

a) Subsidiary undertakings

Cost and net book value

Beginning and end of the year

£'000

720,500

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

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

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

17 Stocks

	2010 £'000	2009 £'000
Raw materials and consumables	10,746	21,087
Finished goods	-	2
	10,746	21,089

Notes to the financial statements - continued

18 Debtors

Amounts falling due within one year

	2010 £'000	2009 £'000
Due from group undertakings	2,877,174	2,874,690
Trade debtors	5,047	6,444
Prepayments and accrued income	7,647	6,757
Other debtors	1,231	1,251
Corporation tax	1,009	20,091
Deferred tax (note 19)	3,668	5,692
	<hr/>	<hr/>
	2,895,776	2,914,925
	<hr/>	<hr/>

19 Deferred tax

The deferred tax included in the balance sheet is as follows

	2010 £'000	2009 £'000
Included in debtors (note 18)	3,668	5,692

A deferred tax asset has been recognised as the Directors are of the opinion that the level of future taxable profits and deferred tax liabilities within the NewsCorp Investments group will be sufficient to utilise the deferred tax asset being recognised

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

	£'000
Beginning of the year	5,692
<i>Credit/(Debit) to profit and loss account</i>	
Adjustment in relation to prior year	(2,883)
Current year movement	1,136
Settlement of share-based payments	(277)
	<hr/>
End of the year	3,668

The prior year adjustment primarily relates to the release of general provisions as a result of a group wide provision review

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

	2010 £'000	2009 £'000
Decelerated capital allowances	2,177	1,276
Other timing differences	1,311	4,023
Share-based payments	180	393
	<hr/>	<hr/>
	3,668	5,692
	<hr/>	<hr/>

Notes to the financial statements - continued

20 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.

21 Creditors: Amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft (note 20)	755,748	852,152
Due to group undertakings	234,202	265,042
VAT	13	33
Other creditors	15,450	12,347
Accruals and deferred income	57,313	43,865
Cash-settled share-based payments	104	40
	<hr/>	<hr/>
	1,062,830	1,173,479
	<hr/>	<hr/>

22 Creditors: Amounts falling due after more than one year

	2010 £'000	2009 £'000
Cash-settled share-based payments	307	321
	<hr/>	<hr/>

23 Equity capital and reserves

a) Called-up equity share capital

	2010 £'000	2009 £'000
Authorised, allotted and fully-paid		
1,400,000 ordinary shares of £1 each	1,400	1,400
1,225,000 non-voting ordinary shares of £1 each	1,225	1,225
	<hr/>	<hr/>
	2,625	2,625
	<hr/>	<hr/>

Notes to the financial statements - continued

23 Equity capital and reserves - continued

b) Reserves

	Share Premium	Other Reserves	Share-based Payment	Profit and Loss account	Total
	£'000	£'000	£'000	£'000	£'000
Beginning of the year	1,750,525	719,074	1,043	104,971	2,575,613
Prior year adjustment (note 28)	-	-	-	106	106
As restated beginning of the year	1,750,525	719,074	1,043	105,077	2,575,719
Profit for the financial year	-	-	-	86,087	86,666
Equity settled share- based payments	-	-	12	-	12
Settlement of equity settled share-based payments	-	-	(821)	821	-
End of the year	1,750,525	719,074	234	191,985	2,661,818

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

c) Reconciliation of movements in shareholders' funds

	2010 £'000	Restated 2009 £'000
Profit for the financial year	86,087	48,343
Equity settled share-based payments	12	423
Addition to shareholders' funds	86,099	48,766
Opening shareholders' funds	2,578,344	2,529,578
Closing shareholders' funds	2,664,443	2,578,344

Notes to the financial statements - continued

24 Future capital expenditure

	2010 £'000	2009 £'000
Capital expenditure contracted for but not provided for	10,534	8,861

25 Leasing and other financial commitments

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

26 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

27 Related party transactions

During the year, the Company paid staff costs on behalf of Milkround Online Limited, a subsidiary of News Corporation, with a market value of £32,000 (2009 - £28,000) at a cost of £32,000 (2009 - £28,000) The total amount due from Milkround Online Limited at 27 June 2010 was £3,000 (2009 - £2,000) The Company also had a trading relationship with Milkround Online Limited Included within cost of sales are purchases of £54,000 (2009 - £3,000) No outstanding balance was owed to the Company as at 27 June 2010

28 Prior year adjustment

The prior year adjustment relates to the adoption of FRS 30 'Heritage Assets'

As a result of adopting FRS 30 'Heritage Assets' opening reserves have been restated The restatement increases tangible assets by £106,000 and equity shareholders funds by £106,000

29 Ultimate parent company

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

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

The 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