

**Registered number: 00679215**

## **News Group Newspapers Limited**

**Report and financial statements**

**for the year ended 28 June 2015**

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# **News Group Newspapers Limited**

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## **News Group Newspapers Limited**

### **Strategic report for the year ended 28 June 2015**

The directors present their Strategic report and the financial statements of the company for the year ended 28 June 2015.

#### **Principal activities and business review**

News Group Newspapers Limited forms part of News Corporation, which comprises newspapers and information businesses in the US, UK and Australia, leading book publishing brands, integrated marketing service companies, digital education groups as well as other assets in Australia. The principal activity of News Group Newspapers Limited is the publishing of The Sun and The Sun on Sunday ("The Sun"). The company uses the printing facilities of fellow subsidiaries of the News Corp Investments UK & Ireland group ("News UK" group).

The Sun is read by over 10 million readers in the UK every week and its mission is to build on its success as Britain's most popular newspaper and secure a sustainable future for its journalism.

The company generated turnover for the year of £459,051,000 (2014 - £489,552,000). Turnover was lower than the previous year due to continuing market decline in newspaper circulation, particularly for the popular segment, but this was partly offset by digital revenue for Sun+ subscribers, as well as impacts of cover price increases for The Sun on Sunday in July 2014 and March 2015 and for The Sun's Saturday edition in March 2015. Advertising revenue also decreased during the year, reflecting the volatile national print advertising market and lower audience levels. During the year, the company exited their contract for printing newspapers with Independent News and Media in Belfast. This contract buy-out involved a one off cost for the company in the year but will generate savings in future years. The company's operating loss for the year was £245,343,000 (2014 - £67,157,000). The operating loss is stated after one-off charges (including this one-off contract buy out payment) totalling £276,651,000 (2014 - £102,745,000), resulting in an underlying operating profit pre one-off charges of £31,308,000 (2014 - £35,588,000).

The Sun's newspaper circulation based on average annual Audit Bureau of Circulation (ABC) figures was down 9% for Monday to Saturday compared to 2014, while The Sun on Sunday was 12% lower, reflecting the challenging popular segment industry trends. However, while print sales declined over the year, digital subscriptions continued to grow after the launch of the company's digital proposition Sun+ in August 2013, reaching 225,000 digital subscribers in November 2014.

Throughout the year, the company continued to invest in editorial and product innovations in both print and digital to inform, engage and entertain Sun readers and to ensure that The Sun's brand remains attractive to advertising clients. The Sun's new print loyalty scheme, Paper Perks, was launched in November 2014 entitling readers to popular discount offers including 2-for-1 meal deals, beauty treats and hotel stays. In March 2015, The Sun on Sunday launched a new TV magazine called TV Soap, and also launched an additional pull-out to its existing Saturday TV magazine aimed at children, called The Fun. The company also continued to invest in its digital proposition with the launch of a new interactive Sun tablet app and the redesign of The Sun website as well as the launch of Sunnation.co.uk as a free-to-access political website in the lead up to the general election in March 2015. Also in March, a full local Sun+ bundle offering was launched for Sun Ireland including a new Irish Sun Sports Pack offering subscribers exclusive highlights and content across multiple sports including GAA hurling and football championships and English Premier League. Finally, the company further enhanced its leading sports proposition with the addition of UFC coverage and video highlights and started hosting live events exclusive to Sun+ subscribers at The News Building.

The company also continued to expand its associated businesses. Sun Holidays, a new dedicated low cost holiday website was launched in January 2015, following the success of The Sun's annual £9.50 holiday offers; and Sun Play was launched in partnership with gaming developer Nektan in June 2015, as a new addition to The Sun's digital bundle as a fun new gaming app. These initiatives are all in addition to other established businesses associated with The Sun such as Dream Team, the UK's most popular fantasy football game, Sun Bingo, Fabulous Bingo and Sun Motors.

## **News Group Newspapers Limited**

### **Strategic report (continued) for the year ended 28 June 2015**

#### **Key non-financial performance indicators (Year to June)**

Average number of copies by title - ABC	2015	2014
The Sun	1,929,000	2,131,000
The Sun on Sunday	1,557,000	1,769,000

#### **Future developments**

In July 2015 the company announced that select digital content from The Sun will be made available for free. The guiding principle for the free content will be shareability, helping The Sun to take advantage of the growing trend of readers finding and sharing content on social media, given further impetus by the rapid rise in smartphone use. The aim is to differentiate the free digital presence from existing Sun content so as to not diminish the value of the paid edition. The company will engage with social media, while avoiding becoming merely a news-feed for other aggregator brands. This enables the company to extend the reach of The Sun brand and provide an entry point to its paid propositions while also expanding the pool of digital inventory to increase advertising opportunities.

Also in July 2015 the company announced that it will be teaming up with Sky Sports in an exclusive distribution partnership to show web and mobile Premier League match highlights clips in a three year deal commencing in 2016. This partnership will transform how football is enjoyed across a range of platforms – whether in print or through the latest Dream Team offering and enables The Sun to continue providing video highlights for the UK's most popular sporting events. From October 2015, video highlights were made available to Sun+ subscribers for the UEFA Champions League and Europa League. Meanwhile, The Sun aims to be the biggest supporter of eSports in the UK and will be the Official Partner of the Gfinity Championship Series and title sponsor of the UK Championship Series for 2015-2016.

Finally, The Sun is looking to broaden its gaming proposition and is also working to launch an e-commerce proposition towards the end of 2015, utilising the understanding of its customer segments, the types of products they enjoy and particularly focusing on self-gifting. The proposition will leverage operational capabilities of News UK's existing Handpicked Collection business.

#### **Principal risks and uncertainties facing the business**

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

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

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

## **News Group Newspapers Limited**

### **Strategic report (continued) for the year ended 28 June 2015**

#### **Principal risks and uncertainties facing the business (continued)**

The company has also embarked on a savings initiative for its editorial department, while at the same time investing in new production tools and technology to ensure efficiencies and sustainability in the future.

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

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

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

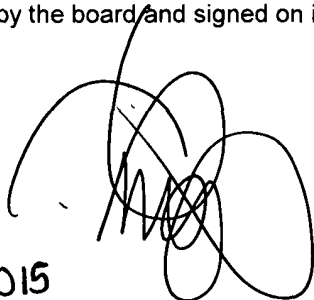
The majority of the company's transactions are in sterling, exposure to fluctuations in foreign currency exchange rates is therefore limited. Foreign currency is managed centrally by the News UK group, which takes into account the foreign currency transactions of the company.

Following the allegations of voicemail interception and inappropriate payments to public officials there have been a number of civil cases brought against the company, most of which have been settled, or are in the process of being settled. A provision has been made at the balance sheet date in respect of all claims that have been filed up until the date of finalisation of the financial statements. In 2011 the company established a compensation scheme which was closed to new entrants in April 2013. A provision has been made at the balance sheet date for all applicants accepted to participate in this scheme. No provision has been made for letters of claim which have been received but where no formal court proceedings have been issued, or for individuals who have not contacted the company. It is not possible to estimate the liability for such additional claims given the information that is currently available to the company. If more claims are filed and additional information becomes available in the civil cases, the company will update the liability provision for such matters. A charge of £4,286,000 (2014 - £7,312,000) in respect of claimants legal fees and damages has been made in respect of this litigation, based on available information at the date of signing the financial statements. The final cost may or may not be significantly higher than the amounts recognised. This has been reported as a one off charge due to its size and incidence. Further information in connection with these matters is disclosed in note 20.

This report was approved by the board and signed on its behalf.

**C. C. S. Longcroft**  
Director

Date: 3 November 2015



## **News Group Newspapers Limited**

### **Directors' report 28 June 2015**

The directors present their report and the financial statements for the year ended 28 June 2015.

#### **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 Strategic report on pages 1 to 3.

The Sun newspaper is read by 4,878,000 people daily and The Sun on Sunday is read by 4,006,000 people every Sunday. The Sun and The Sun on Sunday newspapers continue to be the number one selling daily and weekly newspapers in the UK respectively and combined they reach an average issue audience of 6,562,000 readers. The Sun brand is significantly cash generative and the directors consider that the company remains in a healthy position financially.

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.

#### **Results and dividends**

The loss for the year, after taxation, amounted to £252,212,000 (2014 - loss £52,223,000).

The directors do not recommend a dividend.

#### **Directors**

The directors who served during the year were:

M. W. Darcey (ceased 14 September 2015)  
C. C. S. Longcroft  
M. C. Gill  
D. Dinsmore (appointed 14 September 2015)

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 all directors of the company against liability in respect of proceedings brought by third parties, except that, in accordance with the Companies Act 2006, no indemnity is provided against: any liability incurred by the director in defending civil proceedings brought by the company, or an associated company, in which the final judgment is given against the director; any liability of the director to pay a fine imposed by criminal proceedings; any liability incurred by the director in defending criminal proceedings in which the director is convicted; any liability of the director to pay a penalty sum to a regulatory authority in respect of non-compliance with any requirement of a regulatory nature, howsoever arising; or any liability of the director in connection with an application for relief in which the court refuses to grant him relief. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the directors' report.

**Directors' report (continued)**  
**28 June 2015**

**Directors' responsibilities**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that 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 News UK group of which it is a member.

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

**News Group Newspapers Limited**

**Directors' report (continued)**  
**28 June 2015**

**Disclosure of information to the auditor**

Each of the persons who is a director at the date of approval of this report confirm that:

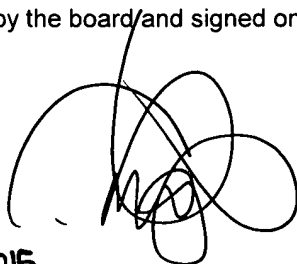
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**

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

This report was approved by the board and signed on its behalf.

**C. C. S. Longcroft**  
Director



Date: **3 November 2015**

Registered office:  
1 London Bridge Street  
London  
SE1 9GF



## **Independent auditor's report to the members of News Group Newspapers Limited**

We have audited the financial statements of News Group Newspapers Limited for the year ended 28 June 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 June 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter - significant uncertainty over provisions and contingencies related to voicemail interception cases after allegations of voicemail interception and inappropriate payments to public officials and other related matters.**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 20 to the financial statements concerning future expenditures for which reliable estimates cannot be made and other contingencies related to voicemail interception cases after allegations of voicemail interception and inappropriate payments to public officials and other related matters. The ultimate exposure of the company in relation to these matters is subject to significant uncertainty, and the total amounts that will ultimately be determined to be payable by the company will be dependent on many factors, including the number of individuals making a claim against the company, any findings as to the extent of their loss, as well as the potential size of any civil, administrative or criminal fines or penalties. Consequently the actual cost may or may not be significantly higher than the amounts recognised in the financial statements and disclosed in note 20.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

**Independent auditor's report to the members of News Group Newspapers Limited (continued)**

**Matters on which we are required to report by exception**

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

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

*Ernst & Young LLP*

Richard Addison (Senior Statutory Auditor)  
for and on behalf of  
**Ernst & Young LLP**  
Statutory Auditor  
London

Date: *3 November 2015*

# News Group Newspapers Limited

## Profit and Loss Account Year ended 28 June 2015

	Note	2015 £000	2014 £000
<b>Turnover</b>	1,2	459,051	489,552
Cost of sales		<u>(295,751)</u>	<u>(327,770)</u>
<b>Gross profit</b>		163,300	161,782
Sales and marketing costs		(55,220)	(49,763)
Administrative expenses		(76,772)	(76,431)
Operating one-off charges	3	<u>(276,651)</u>	<u>(102,745)</u>
<b>Operating loss</b>	4	(245,343)	(67,157)
Restructuring expense	8	<u>(7,787)</u>	<u>-</u>
<b>Loss on ordinary activities before interest and tax</b>		(253,130)	(67,157)
Interest receivable	10	<u>33</u>	<u>79</u>
<b>Loss on ordinary activities before taxation</b>		(253,097)	(67,078)
Tax on loss on ordinary activities	11	<u>885</u>	<u>14,855</u>
<b>Loss for the financial year</b>	23	<u><u>(252,212)</u></u>	<u><u>(52,223)</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and Loss Account.

The notes on pages 11 to 23 form part of these financial statements.

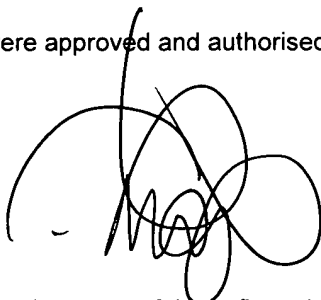
**News Group Newspapers Limited**  
**Registered number: 00679215**

**Balance Sheet**  
**28 June 2015**

			2015	(As restated)
	Note	£000	£000	2014 £000
<b>Fixed assets</b>				
Intangible assets	12		355,660	560,000
Tangible assets	13		111	111
			<u>355,771</u>	<u>560,111</u>
<b>Current assets</b>				
Stocks	15	8,765		9,182
Debtors	16	85,211		68,719
Cash at bank and in hand		604,864		670,765
		<u>698,840</u>		<u>748,666</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(216,749)</u>		<u>(227,482)</u>
<b>Net current assets</b>			<u>482,091</u>	<u>521,184</u>
<b>Total assets less current liabilities</b>			<u>837,862</u>	<u>1,081,295</u>
<b>Provisions for liabilities</b>				
Other provisions	20		<u>(72,645)</u>	<u>(63,866)</u>
<b>Net assets</b>			<u><u>765,217</u></u>	<u><u>1,017,429</u></u>
<b>Capital and reserves</b>				
Called up share capital	22		2,625	2,625
Share premium account	23		523,308	523,308
Other reserves	23		559,074	559,074
Profit and loss account	23		<u>(319,790)</u>	<u>(67,578)</u>
<b>Shareholders' funds</b>	24		<u><u>765,217</u></u>	<u><u>1,017,429</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
**3 November 2015**

**C. C. S. Longcroft**  
 Director



The notes on pages 11 to 23 form part of these financial statements.

**1. Accounting policies**

**1.1 Basis of accounting**

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

True and fair override provisions of the Companies Act 2006 have been invoked, as described in "Publishing rights and titles" below and note 12.

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 1 to 3.

The Sun newspaper is read by 4,878,000 people daily and The Sun on Sunday is read by 4,006,000 people every Sunday. The Sun and The Sun on Sunday newspapers continue to be the number one selling daily and weekly newspapers in the UK respectively and combined they reach an average issue audience of 6,562,000 readers. The Sun brand is significantly cash generative and the directors consider that the company remains in a healthy position financially.

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.

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 28 June 2015.

The prior year comparatives in creditors: amounts falling due within one year and provisions for liabilities have been re-stated to reflect the prior year adjustment explained further in note 18 and 21. All other principal accounting policies have been applied consistently throughout the year and the preceding year.

**1.2 Consolidated financial statements**

Under Section 401 of the Companies Act 2006 the company is exempt from the requirement to prepare and deliver group financial statements since it is a wholly owned subsidiary of News Corporation which is incorporated in the United States of America and prepares consolidated financial statements. Accordingly, these financial statements present information about the company as an individual undertaking and not abouts its group.

**1.3 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.

**1.4 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.

**1.5 Segmental reporting**

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, which prepares consolidated financial statements that are publicly available.

**Notes to the financial statements  
28 June 2015**

**1. Accounting policies (continued)**

**1.6 Turnover**

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

Advertising revenue is recognised upon publication.

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

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

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

**1.7 Operating leases**

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

**1.8 Pensions**

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

**1.9 Interest receivable**

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

**1.10 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

**1.11 Foreign currencies**

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  
28 June 2015**

**1. Accounting policies (continued)**

**1.12 Publishing rights and titles**

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

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

Had the publishing rights and titles been amortised in accordance with the Companies Act 2006 over the FRS 10 rebuttable assumption period of 20 years, £28,000,000 would have been charged to the profit and loss account in the year ended 28 June 2015 (2014 - £28,000,000).

The directors believe that the publishing rights and titles have a sufficiently well-established position in the market place to be defended against threats arising from current competitors, potential new entrants and potential technological changes in the industry. Any impairment results from specific events or circumstances and does not indicate that the inherent lives of assets are anything other than indefinite.

**1.13 Heritage assets**

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

The collections are accounted for as follows:

**a) Manuscripts, Newspapers and Other artefacts**

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

**b) Art collection**

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

In addition to the two collections above, the company also holds a complete back catalogue of their newspaper publications with The 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.

**1.14 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.

## News Group Newspapers Limited

### Notes to the financial statements 28 June 2015

#### 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.

During the current year £10,609,000 (2014: £Nil) of turnover related to advertising barter transactions.

#### 3. Operating one-off charges

	2015 £000	2014 £000
Claimants' legal fees and damages (see note 20)	4,286	7,312
Costs in relation to UK newspaper matters	50,667	79,318
Costs in relation to the Management and Standards Committee	10,158	16,115
Costs in relation to early termination of contract agreements	7,200	-
Impairment of publishing rights and titles (see note 12)	204,340	-
	<u>276,651</u>	<u>102,745</u>

There are a number of on-going legal claims against the company as a result of voicemail interception allegations. A charge of £4,286,000 (2014 - £7,312,000) in respect of claimants' legal fees and damages has been made based on available information at the date of signing the financial statements.

The company has incurred £50,667,000 (2014 - £79,318,000) of one-off costs in regards to UK Newspaper matters. These include £41,596,000 (2014 - £78,032,000) of legal fees, £7,911,000 (2014 - £820,000) for compensation of loss of office payments, and £1,160,000 (2014 - £466,000) of other UK newspaper matter costs.

The News UK group has incurred costs of £10,158,000 (2014 - £16,115,000), which are primarily legal and professional fees relating to the Management and Standards Committee (MSC). The MSC is not a statutory entity; therefore whilst it has independence from the company, costs relating to the MSC must be recognised in the financial statements of a statutory entity. As the costs relate exclusively to investigations into The News of the World, these costs have been borne by News Group Newspapers Limited.

During the year the company reached an agreement to terminate a long term printing contract with Independent News and Media in Belfast in return for a compensation payment of £7,200,000. This contract termination will enable the company to move printing to in-house printing facilities to utilise available capacity. The compensation amount is included in accruals at the balance sheet date.

These items have been reported as one-off charges due to their size and incidence and one-off nature.

#### 4. Operating loss

The operating loss is stated after charging:

	2015 £000	2014 £000
Operating lease rentals:		
- plant and machinery	472	524
One-off charges (see note 3)	<u>276,651</u>	<u>102,745</u>

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



**News Group Newspapers Limited**

**Notes to the financial statements  
28 June 2015**

**5. Auditor's remuneration**

	2015 £000	2014 £000
Audit of the financial statements	234	245

Auditor's remuneration is borne by another group undertaking.

**6. Staff costs**

Staff costs were as follows:

	2015 £000	2014 £000
Wages and salaries	36,232	35,988
Social security costs	4,084	4,196
Other pension costs (see note 9)	3,093	2,790
	<u>43,409</u>	<u>42,974</u>

The average monthly number of employees during the year was as follows:

	2015 No.	2014 No.
Editorial	<u>546</u>	<u>525</u>

**7. Directors' remuneration**

The directors' aggregate remuneration in respect of qualifying services were:

	2015 £000	2014 £000
Remuneration receivable	2,867	3,135
Value of company pension contributions to money purchase schemes	40	46
Total	<u>2,907</u>	<u>3,181</u>

No directors accrued benefits under company pension schemes (2014 - None).

## News Group Newspapers Limited

### Notes to the financial statements 28 June 2015

#### 7. Directors' remuneration (continued)

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

	2015 No	2014 No
Long term incentive plan	<u>2</u>	<u>2</u>

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

During the year £1,121,000 was paid to former directors as compensation for loss of office (2014 - £820,000).

The compensation for loss of office payments includes various on-going benefits of which the costs were borne by the company. These benefits largely comprised the services of employees of the company and office space, as well as reimbursement for all legal and other professional costs incurred with the investigations. The company also agreed to pay the tax associated with the legal and other professional costs. Legal and professional costs have been recognised as incurred.

#### 8. Restructuring expense

	2015 £000	2014 £000
Cost of restructuring the company	<u>7,787</u>	<u>-</u>

During the year the company restructured its workforce to match the requirements of the business and incurred £7,787,000 of redundancy costs relating to this restructure as at the balance sheet date. These costs were classed as exceptional costs in the profit and loss account due to their one-off nature.

Notes to the financial statements  
28 June 2015

9. Pensions

The company participates in pension schemes operated by News Corp UK & Ireland Limited. The defined contribution scheme covers the majority of the executive, staff and works personnel. The remaining employees, mainly senior executives, are covered by defined benefit multi-employer schemes and their share of the underlying assets and liabilities are not readily identifiable. The assets of the pension schemes are held in separate externally administered funds. The pension costs of the defined benefit schemes are in accordance with the advice of a qualified actuary using the projected unit method. The schemes are valued by an independent actuary on a triennial basis. During 2011, News Corp UK & Ireland Limited closed the main UK defined benefit pension plan to future accrual. The latest full actuarial valuation of the defined benefit schemes range from 31 March 2011 to 31 March 2014.

All pension expenses are incurred by News Corp UK & Ireland Limited, where the group's pension provision is held. A recharge is made to the company for the services of the personnel working for the company.

The total pension cost for the company was £3,093,000 (2014 - £2,790,000) all of which relates to the defined contribution scheme.

Employer's contributions are set in relation to the current service period only. There are no other obligations other than to pay a contribution that reflects the benefits earned in the current period. Under such circumstances FRS 17 'Retirement benefits' allows the scheme to be accounted for as a defined contribution scheme. Therefore defined contribution accounting has been adopted in these financial statements.

FRS 17 disclosures for the defined benefit schemes can be found in the financial statements of News Corp Investments UK & Ireland group. The News Corp UK & Ireland Limited group deficit as at 28 June 2015 is £36,737,000 (2014 - £31,986,000). The fair value of the plans assets amounts to £361,714,000 (2014 - £330,054,000) whilst the benefit obligations amounts to £398,451,000 (2014 - £362,040,000).

10. Interest receivable

	2015 £000	2014 £000
Interest receivable on corporation tax debtor	33	79

# News Group Newspapers Limited

## Notes to the financial statements 28 June 2015

### 11. Taxation

	2015 £000	2014 £000
<b>(a) Analysis of tax (credit)/charge in the year</b>		
<b>Current tax</b> (see note below)		
Adjustments in respect of prior years	(1,654)	-
Foreign tax on income for the year	7	3
<b>Total current tax</b>	<u>(1,647)</u>	<u>3</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	255	(9,609)
Effect of changes in tax rate	(9)	567
Prior year adjustments	516	(5,816)
<b>Total deferred tax</b> (see note 19)	<u>762</u>	<u>(14,858)</u>
<b>Tax on loss on ordinary activities</b>	<u>(885)</u>	<u>(14,855)</u>

### (b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20.75% (2014 - 22.5%). The differences are explained below:

	2015 £000	2014 £000
Loss on ordinary activities before tax	<u>(253,097)</u>	<u>(67,078)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.75% (2014 - 22.5%)	(52,518)	(15,092)
<b>Effects of:</b>		
Non-tax deductible expenses	6,129	1,065
Non-tax deductible impairment of publishing rights	42,401	-
Decelerated capital allowances	155	137
Adjustments in respect of prior years	(1,654)	-
Other timing differences	(410)	(1,736)
Unrelieved tax losses carried forward	-	15,600
Higher taxes on overseas earnings	7	3
Group relief	4,247	27
Transfer pricing adjustments	(4)	(1)
<b>Current tax (credit)/charge for the year</b> (see note above)	<u>(1,647)</u>	<u>3</u>

### (c) Factors that may affect future tax charges

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The 2015 summer budget stated that the rate of corporation tax will be reduced from 20% to 19% from 1 April 2017, and 18% from 1 April 2020. This change is expected to receive Royal Assent in autumn 2015. As the proposed changes were not substantively enacted at the balance sheet date, deferred tax balances in these financial statements have been calculated at the 20% rate.

## News Group Newspapers Limited

### Notes to the financial statements 28 June 2015

#### 12. Intangible fixed assets

	Publishing rights and titles £000
<b>Cost</b>	
At 30 June 2014 and 28 June 2015	560,000
<b>Amortisation</b>	
At 30 June 2014	-
Impairment charge	204,340
At 28 June 2015	204,340
<b>Net book value</b>	
At 28 June 2015	355,660
At 29 June 2014	560,000

The company tests intangible assets annually for impairment or more frequently if there are indicators that they may be impaired. The recoverable amounts for the company's intangible assets are measured through review of a value in use calculation. Value in use is determined by discounting future expected cash flows, based on management approved budgets and 3 year projections. These reflect management's current experience and future expectations of the markets in which the company operate.

The pre-tax discount rate used by the company in its impairment test is 12.5% (2014 - 12.5%). The growth rate used in the projections that are extrapolated beyond the formally approved budgets and forecasts prepared by management is 2% and therefore does not exceed the long term average growth rate. This has resulted in an impairment charge of £204,340,000 (2014 - £Nil) in the company only and is eliminated from the results of the News UK group.

#### 13. Tangible fixed assets

	Heritage assets £000
<b>Cost</b>	
At 30 June 2014 and 28 June 2015	111
<b>Depreciation</b>	
At 30 June 2014 and 28 June 2015	-
<b>Net book value</b>	
At 28 June 2015	111
At 29 June 2014	111

## News Group Newspapers Limited

### Notes to the financial statements 28 June 2015

#### 13. Tangible fixed assets (continued)

##### Heritage assets

Heritage assets include assets held at a valuation of £93,000 (2014 - £93,000) and assets held at an historic cost of £18,000 (2014 - £18,000).

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 Sothby'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 £18,000 (2014 - £18,000) 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 year, there have been no significant additions to the collections. There have also been no heritage asset disposals during the current or prior year.

##### Five-year financial summary of heritage asset transactions

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Purchases					
Manuscripts, newspapers & other artefacts	-	-	-	-	3

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

#### 14. Fixed asset investments

The company holds a 100% investment in the ordinary shares of News 2026 Limited, a dormant company registered in England. The value of this investment is £Nil (2014 - £Nil).

#### 15. Stocks

	2015 £000	2014 £000
Raw materials and consumables	8,765	9,182

#### 16. Debtors

	2015 £000	2014 £000
Amounts owed by group undertakings	29,314	23,816
Corporation tax repayable	4,780	4,780
Other debtors	3,708	1,474
Prepayments and accrued income	13,042	3,520
Deferred tax asset (see note 19)	34,367	35,129
	<u>85,211</u>	<u>68,719</u>

All debtors are repayable within one year of the balance sheet date.

## News Group Newspapers Limited

### Notes to the financial statements 28 June 2015

#### 17. Group banking arrangements

News Corp UK & Ireland Limited operates two collective overdraft facilities with its bankers, which allows individual companies in the News UK group to overdraw subject to an agreed limit of £20 million, for each facility, not being exceeded in aggregate. The overdraft facilities are also guaranteed by News Corporation.

#### 18. Creditors: Amounts falling due within one year

	2015	(As restated) 2014
	£000	£000
Amounts owed to group undertakings	127,551	166,720
Other taxation and social security	342	125
Other creditors	19,467	15,381
Accruals and deferred income	69,389	45,256
	<u>216,749</u>	<u>227,482</u>

#### 19. Deferred taxation

The deferred tax asset is made up as follows:

	2015	2014
	£000	£000
Balance brought forward	35,129	20,271
Profit and loss account movement arising during the year	(255)	9,609
Rate change	9	5,816
Adjustments in respect of prior years	(516)	(567)
	<u>34,367</u>	<u>35,129</u>

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

	2015	2014
	£000	£000
Excess of depreciation over capital allowances	1,483	1,310
Tax losses available	32,466	33,072
Other timing differences	418	747
Total	<u>34,367</u>	<u>35,129</u>

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 News UK group will be sufficient to utilise the deferred tax asset being recognised. This includes £162,331,000 (2014 - £165,361,000) of trading losses.

# News Group Newspapers Limited

## Notes to the financial statements 28 June 2015

### 20. Provisions for liabilities and charges

	Provisions for legal claims £000	(As restated) Other provisions £000	Total £000
At 30 June 2014	10,666	53,200	63,866
Additions	4,286	17,328	21,614
Amounts utilised	(7,035)	-	(7,035)
Amounts released to profit and loss account	-	(5,800)	(5,800)
At 28 June 2015	<u>7,917</u>	<u>64,728</u>	<u>72,645</u>

#### Provisions for legal claims

Following the allegations of voicemail interception and inappropriate payments to public officials there have been a number of civil cases brought against the company, most of which have been settled, or are in the process of being settled. A provision has been made at the balance sheet date in respect of all claims that have been filed up until the date of finalisation of the financial statements. In 2011 the company established a compensation scheme which was closed to new entrants in April 2013. A provision has been made at the balance sheet date for all applicants accepted to participate in this scheme. No provision has been made for letters of claim which have been received but where no formal court proceedings have been issued, or for individuals who have not contacted the company. It is not possible to estimate the liability for such additional claims given the information that is currently available to the company. If more claims are filed and additional information becomes available in the civil cases, the company will update the liability provision for such matters. A charge of £4,286,000 (2014 - £7,312,000) in respect of claimants' legal fees and damages has been made in respect of this litigation, based on available information at the date of signing the financial statements. The final cost may or may not be significantly higher than the amounts recognised. This has been reported as a one off charge due to its size and incidence. This provision has not been discounted due to the uncertainty over the timing of the settlement of these cases.

#### Other provisions

Other provisions relate to potential employment tax liabilities currently under discussion with HMRC.

### 21. Prior year adjustment

During the current year, the company has reassessed the classification of certain tax related liabilities. These liabilities were previously classified as accruals, however, due to the uncertainty around the value and timing of payments in relation to these balances these have been reclassified in the current year as provisions for liabilities. Consequently, the creditors of the company as at 29 June 2014 has reduced by £53,200,000 and the provisions for liabilities have increased by the same amount. There is no impact on net assets.

### 22. Share capital

	2015 £000	2014 £000
<b>Authorised, allotted, called up and fully paid</b>		
2,625,000 Ordinary shares shares of £1 each	<u>2,625</u>	<u>2,625</u>



## News Group Newspapers Limited

### Notes to the financial statements 28 June 2015

#### 23. Reserves

	Share premium account £000	Other reserves £000	Profit and Loss Account £000
Balance brought forward	523,308	559,074	(67,578)
Loss for the financial year	-	-	(252,212)
Balance carried forward	<u>523,308</u>	<u>559,074</u>	<u>(319,790)</u>

The other reserves brought forward relate to the profit on disposal of publishing rights of The Sun on 20 June 2003 to News 2026 Limited, the company's subsidiary. The profits were regarded as unrealised since the consideration received was in the form of assets for which the directors could not assess the ultimate cash realisation with reasonable certainty.

#### 24. Reconciliation of movement in shareholders' funds

	2015 £000	2014 £000
Opening shareholders' funds	1,017,429	1,069,652
Loss for the financial year	<u>(252,212)</u>	<u>(52,223)</u>
Closing shareholders' funds	<u>765,217</u>	<u>1,017,429</u>

#### 25. Operating lease commitments

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

#### 26. Ultimate parent company

The company's immediate parent company is News Corp UK & Ireland Limited, a company incorporated in England.

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

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