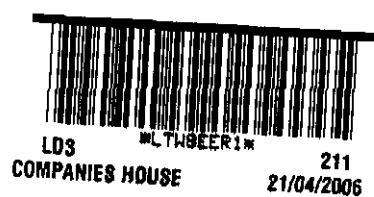


# **Times Newspapers Limited**

**Report and Financial Statements  
30 June 2005**

**Registered number: 894646**



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## **Directors' report**

**For the year ended 30 June 2005**

The Directors present their annual report on the affairs of Times Newspapers Limited ("the Company") together with the financial statements and auditors' report for the year ended 30 June 2005.

### **Principal activity**

The principal activity of the Company is the publishing of The Times and The Sunday Times. The Company uses the printing facilities of other members of the Newscorp Investments group and, in some cases, external printers.

### **Business review**

The Company generated turnover for the year of £416,470,000 (2004 - £400,641,000). The Company's operating loss for the year was £44,201,000 (2004 - £37,380,000). The Directors expect the general level of activity to continue for the foreseeable future.

The Company's loss for the financial year was £46,886,000 (2004 - £40,061,000).

The Company does not have any distributable reserves, therefore no dividend has been paid during the year (2004 - £Nil) and no final dividend has been proposed (2004 - £Nil).

### **Directors and their interests**

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

S. W. Daintith	(appointed 19 September 2005)
L. F. Hinton	
R. M. Linford	
C. A. Milner	
K. R. Murdoch	(Chairman)
R. J. Thomson	
J. Witherow	

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

The Articles of Association require all Directors to retire at the Annual General Meeting, all Directors were subsequently reappointed at the last Annual General Meeting.

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

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 1985. 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 £2,848 (2004 - £2,808). There were no political contributions (2004 - £Nil).

### **Employment of disabled persons**

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

## Directors' report - continued

### Employee consultation

It is the policy of the Company to develop employee involvement throughout the organisation and to ensure that they are aware of the financial and economic factors affecting the Company and the 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.

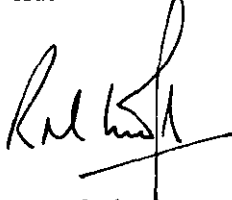
### Statement of Directors' responsibilities

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

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

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

By order of the Board



R. M. Linford  
Director

1 Virginia Street  
London  
E98 1XY

30 September 2005

## **Independent Auditors' report**

**To the members of Times Newspapers Limited**

We have audited the Company's financial statements for the year ended 30 June 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes numbered 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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

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

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

10/10/05

## Profit and loss account

For the year ended 30 June 2005

	Notes	2005 £'000	2004 £'000
<b>Turnover</b>	2	416,470	400,641
Cost of sales		(330,488)	(296,357)
<b>Gross profit</b>		85,982	104,284
Other operating expenses	3	(130,183)	(141,664)
<b>Operating loss</b>	4	(44,201)	(37,380)
Finance charges (net)	8	(2,670)	(2,681)
<b>Loss on ordinary activities before taxation</b>		(46,871)	(40,061)
Tax on loss on ordinary activities	9	(15)	-
<b>Retained loss for the financial year</b>	16	(46,886)	(40,061)

There are no recognised gains or losses other than the loss attributable to the shareholders of the Company of £46,886,000 in the year ended 30 June 2005 (2004 - loss of £40,061,000).

Details of movements on reserves are shown in note 16.

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

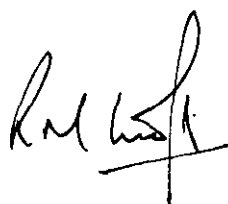
The notes to the financial statements are an integral part of this profit and loss account.

## Balance sheet

As at 30 June 2005

	Notes	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Intangible assets	10	1,425	1,425
<b>Current assets</b>			
Stocks	11	1,340	1,189
Debtors	12	154,746	117,258
Cash at bank and in hand	13	278,508	274,149
		<hr/>	<hr/>
		434,594	392,596
<b>Creditors: Amounts falling due within one year</b>	14	(521,534)	(432,650)
		<hr/>	<hr/>
<b>Net current liabilities</b>	18	(86,940)	(40,054)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		(85,515)	(38,629)
<b>Creditors: Amounts falling due after more than one year</b>	15	(45,400)	(45,400)
		<hr/>	<hr/>
<b>Net liabilities</b>	18	(130,915)	(84,029)
		<hr/>	<hr/>
<b>Equity capital and reserves</b>			
Called-up share capital	16	1,000	1,000
Profit and loss account	16	(131,915)	(85,029)
		<hr/>	<hr/>
<b>Equity shareholders' deficit</b>		(130,915)	(84,029)
		<hr/>	<hr/>

The financial statements on pages 4 to 14 were approved by the Board of Directors on 30 September 2005 and signed on its behalf by:



R. M. Linford  
Director

30 September 2005

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

# Notes to the financial statements

30 June 2005

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

### 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.

### Publishing rights and titles

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

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

### Stocks

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

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

### Foreign currency

Transactions in foreign currencies are recorded at the 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.

### Taxation

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

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

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

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

### Turnover

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



## Notes to the financial statements – continued

### 1 Principal accounting policies – continued

#### Leases

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

#### Pension costs and post retirement medical benefits

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

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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

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

#### Related party transactions

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 financial statements are prepared on the going concern basis because a fellow group undertaking has committed to provide financial support to the Company to enable it to meet its liabilities as they fall due, for the foreseeable future.

### 2 Turnover

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

### 3 Other operating expenses

	2005 £'000	2004 £'000
Selling and marketing costs	46,870	51,246
Administrative expenses	83,313	90,418
	<hr/>	<hr/>
	130,183	141,664
	<hr/>	<hr/>

## Notes to the financial statements – continued

### 4 Operating loss

This is stated after charging

	2005 £'000	2004 £'000
Operating lease rentals		
- plant and machinery	570	630
	<hr/>	<hr/>

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

### 5 Staff costs

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

	2005 Number	2004 Number
Editorial	683	688
	<hr/>	<hr/>

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

	2005 £'000	2004 £'000
Wages and salaries	42,729	39,420
Social security costs	4,167	4,025
Other pension costs (note 7)	3,208	2,705
	<hr/>	<hr/>
	50,104	46,150
	<hr/>	<hr/>

The method used to determine the disclosure of staff costs has been updated in the current year. The prior year disclosure of staff costs has been adjusted to reflect this.

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 fellow group undertaking and a recharge is made to the Company for the services of these personnel.

### 6 Directors' remuneration

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

	2005 £'000	2004 £'000
Emoluments	1,484	1,364
Company contributions paid to defined benefit schemes	215	100
	<hr/>	<hr/>

## Notes to the financial statements – continued

### 6 Directors' remuneration - continued

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

	2005 Number	2004 Number
Defined benefit schemes	3	3

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

	2005 £'000	2004 £'000
Emoluments	557	519
Accrued pension entitlement under the defined benefit scheme	8	5

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

### 7 Pensions and other post retirement benefits

The Company participates in two pension schemes operated by News International Limited. The defined contribution scheme covers the majority of the executive, staff and works personnel. The remaining employees, mainly senior executives, are covered by a defined benefit multi-employer scheme and their share of the underlying assets and liabilities are not readily identifiable. The assets of the pension schemes are held in separate externally administered funds which are fully funded. The pension costs of the defined benefit scheme are in accordance with the advice of a qualified actuary using the projected unit method. The schemes are valued by an independent actuary on a triennial basis. The latest full actuarial valuation of the defined benefit scheme was prepared as at 1 July 2003.

The total pension cost for the Company was £3,208,000 (2004 - £2,705,000) of which £2,912,000 (2004 - £2,559,600) relates to the defined contribution scheme and £296,000 (2004 - £143,400) relates to the defined benefit scheme.

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.

As mentioned above, it has not been possible to identify the Company's share of the overall assets and liabilities, therefore the defined benefit scheme has been accounted for as a defined contribution scheme in these financial statements. SSAP 24 and FRS 17 disclosures for the defined benefit scheme can be found in the financial statements of News International Limited, another company in the NewsCorp Investments group.

## Notes to the financial statements - continued

### 8 Finance charges (net)

	2005 £'000	2004 £'000
Interest payable and similar charges		
On loans from News International Limited - repayable after more than five years (see note 15)	1,234	1,234
On amounts due to the immediate parent	1,436	1,436
Realised loss on foreign currency	-	11
	<hr/>	<hr/>
	2,670	2,681
	<hr/>	<hr/>

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

### 9 Tax on loss on ordinary activities

#### a) Tax on loss on ordinary activities

	2005 £'000	2004 £'000
Overseas withholding tax	15	-
	<hr/>	<hr/>

#### b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is £15,000 (2004 - £Nil). The difference between the tax assessed and the standard rate of corporation tax in the UK of 30% (2004 - 30%) is reconciled below:

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation	(46,871)	(40,061)
	<hr/>	<hr/>
Corporation tax at 30% (2004 - 30%)	(14,061)	(12,018)
Permanent timing differences	332	302
Group relief surrendered	13,729	11,716
Overseas withholding tax	15	-
	<hr/>	<hr/>
Total current tax	15	-
	<hr/>	<hr/>

## Notes to the financial statements - continued

### 10 Intangible fixed assets

	Publishing rights and titles £'000
<b>Cost</b>	
Beginning and end of the year	1,425
	<hr/>

An impairment review was performed and no provision was required.

### 11 Stocks

	2005 £'000	2004 £'000
Raw materials and consumables	1,338	1,187
Finished goods	2	2
	<hr/>	<hr/>
	1,340	1,189
	<hr/>	<hr/>

### 12 Debtors

Amounts falling due within one year:

	2005 £'000	2004 £'000
Due from group undertakings	150,918	110,690
Value added tax	-	2,039
Other debtors	443	189
Prepayments and accrued income	3,385	4,340
	<hr/>	<hr/>
	154,746	117,258
	<hr/>	<hr/>

### 13 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.

## Notes to the financial statements - continued

### 14 Creditors: Amounts falling due within one year

	2005 £'000	2004 £'000
Due to group undertakings	246,849	158,023
Value added tax	13	-
Other creditors	43	52
Accruals and deferred income	274,629	274,575
	<hr/>	<hr/>
	521,534	432,650
	<hr/>	<hr/>

### 15 Creditors: Amounts falling due after more than one year

	2005 £'000	2004 £'000
Due to News International Limited after more than 5 years		
- 5% unsecured loan stock 2021	12,679	12,679
- 15% unsecured loan stock 2021	4,000	4,000
Due to the immediate parent	28,721	28,721
	<hr/>	<hr/>
	45,400	45,400
	<hr/>	<hr/>

### 16 Equity capital and reserves

#### a) Called-up equity share capital

	2005 £'000	2004 £'000
Authorised, allotted and fully-paid:		
850,000 "A" ordinary shares of £1 each	850	850
75,000 "B" ordinary shares of £1 each	75	75
75,000 "C" ordinary shares of £1 each	75	75
	<hr/>	<hr/>
	1,000	1,000
	<hr/>	<hr/>

All shares rank equally except the 'A' shares which carry preferential rights in relation to the first £1 million of profit and the first £1 million on winding up of the Company.

## Notes to the financial statements - continued

### 16 Equity capital and reserves - continued

#### b) Reserves

	Profit and loss account £'000
Beginning of the year	(85,029)
Retained loss for the financial year	(46,886)
	<hr/>
End of the year	(131,915)
	<hr/>

#### c) Reconciliation of movements in the shareholders' deficit

	2005 £'000	2004 £'000
Loss for the financial year	(46,886)	(40,061)
	<hr/>	<hr/>
Opening shareholders' deficit	(84,029)	(43,968)
	<hr/>	<hr/>
Closing shareholders' deficit	(130,915)	(84,029)
	<hr/>	<hr/>

### 17 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.

### 18 Funding

The financial statements are prepared on the going concern basis.

The net liabilities of the Company are £130,915,000 (2004 - £84,029,000) and net current liabilities are £86,940,000 (2004 - £40,054,000) at 30 June 2005. Newscorp Investments has confirmed its intention of providing continuing financial support to enable the Company to meet its liabilities as they fall due for the foreseeable future.

### 19 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.

## **Notes to the financial statements – continued**

### **20 Ultimate parent company**

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

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

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, NY10024. The smallest group in which they are consolidated is that headed by Newscorp Investments, a company incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from 1 Virginia Street, London, E98 1FN.