

COMPANY REGISTRATION NUMBER 00894646

Times Newspapers Limited

Financial statements

3 July 2011

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Times Newspapers Limited

Financial statements

Year ended 3 July 2011

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Times Newspapers Limited

The directors' report

Year ended 3 July 2011

The directors present their report and the financial statements of the company for the year ended 3 July 2011

Principal activities and business review

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.

The company generated turnover for the year of £401,734,000 (2010: £392,766,000). The company's operating loss for the year was £9,509,000 (2010: loss of £42,363,000). The directors expect the general level of activity to continue for the foreseeable future.

The level of turnover derived from advertising is higher than in the previous year, reflecting the partial recovery in the weak economic climate that had impacted the level of advertising spend by clients in the previous period.

Revenue derived from circulation sales has increased during the year mainly as a result of the full year effect of the cover price increase on The Times, which increased to £1 Monday to Friday, and the price rise on The Sunday Times which increased to £2.20. The Times' newspaper circulation share was marginally lower year-on-year based on six-monthly ABC figures for the first half of the year (ABC: July to December 2010). In the second half of the year, The Times newspaper circulation share was three per cent lower than the first half, based on six-monthly ABC figures (ABC: January to June 2011). This was mainly as a result of the launch of the 'i', (from the publishers of The Independent, which launched in October 2010 and which was first reported on a six-monthly basis in June 2011), which had the positive effect of growing the overall segment volume by nine per cent. Based on the same data in June 2011, The Sunday Times circulation share was marginally lower, but it continued to outsell the combined sale of its main competitors for the 28th consecutive month.

Cost of sales was significantly lower during the year, as a result of decreased editorial and newsprint costs and lower marketing costs than the previous year.

According to the National Readership Survey (July 2010 to June 2011), The Times is read by 1.5m people, daily, and The Sunday Times is read by 2.8m people.

The Times continues to be the number one quality daily paper for business readers in the UK with about 50% more business readers than either of The Financial Times or The Daily Telegraph - 1 in 4 purchase decision makers read The Times (British Business Survey 2011). The Sunday Times continues to be the number one quality Sunday Newspaper, with 50% more business readers than The Sunday Telegraph and The Observer, combined - 1 in 3 purchase decision makers read The Sunday Times and it is the leading title for board directors (British Business Survey 2011).

The company has led the way in championing paid-for content on the internet and new websites for The Times and The Sunday Times were launched in May 2010, - both websites are available to our newspaper subscribers and to other readers who signed up for a daily pass (at £1) or a weekly subscription (£2 per week). The Times and The Sunday Times both launched iPad Apps delivering full digital editions and The Times delivered its first Christmas Day edition, in a digital format on the iPad. The Sunday Times was ranked number one newspaper/magazine brand for its App on iMonitor's global ranking in January 2011.

Based on multi-channel paid-for sales, both The Times and The Sunday Times ended the financial year with higher total paid-for sales compared with the end of the previous year. This is an achievement that reflects on the quality of the journalism delivered through The Times and The Sunday Times in a market that commentators routinely refer to as 'in decline'. In November 2010 the company announced that it had broken the 100,000 mark in digital subscribers.

Times Newspapers Limited

The directors' report *(continued)*

Year ended 3 July 2011

Principal activities and business review *(continued)*

Our readers value the insightful analysis that The Times and The Sunday Times bring to the news as well as the exclusive content that we offer. Demonstrating the strength of the analysis that we provide, The Times won "Best Political Commentator", "Best Financial Commentator" and "Best Comment Pages" at The Comment Awards in October 2010. The Times took awards for best business and finance journalist, best critic, best cartoonist, best columnist and best interviewer at the British Press Awards in March 2011. The Sunday Times took the award for best specialist journalist. The Times took the Sports Newspaper of the Year award at the Sports Journalists' Association Awards in March 2011.

Our readers also value the engagement that they have with our brands. Times+, a membership club for subscribers of The Times and The Sunday Times reached its anniversary and The Sunday Times launched 'Perfect Sundays' an umbrella for all of its reader offers. In its first year, Times+ members have enjoyed 33,000 free cinema screenings, 670,000 competition entries and 15,000 invitations to exclusive events and face-to-face interactions with our editorial teams.

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 on-going circulation challenges, which it is addressing through continuous product improvement, investment in editorial content and the launch of innovative new subscriptions schemes. The development of technologies such as the iPad provides a new and exciting way for The Times and The Sunday Times to showcase its quality journalism to a new audience of readers. N1 Group Limited ("News International", the company's intermediary parent company) is addressing new media challenges through the introduction of paywalls around its newspaper website.

The company is subject to the impact of long term movements in advertising spending. This has seen, over time, a move from press towards television and internet spending by advertisers, particularly in relation to classified advertising. The company is continually investing in its products, including investment in digital editions, to minimise the impact of these trends and to ensure that its products continue to attract advertisers. The company now has a relatively low exposure to classified revenues (less than 15%) and is developing new digital products to attract classified advertising. In the short term, the scale of the audience delivered by the company's publications and the very short production timescales associated with press advertising mean that the company continues to see advertisers investing their marketing spend in its publications. Given the trend towards disaggregated audiences, generally, against the very large readership of its publications, the company expects to retain its ability to attract advertising spending at current levels.

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 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. 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.

Times Newspapers Limited

The directors' report *(continued)*

Year ended 3 July 2011

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

News Corporation (the company's ultimate parent company) has created an independently-chaired Management and Standards Committee (MSC), which operates independently from News International. The MSC is undertaking a review of The Times and The Sunday Times as part of the on-going investigations across News International. The MSC is responsible for the review of the materials identified by the MSC and its advisors in their investigations and not the directors of the company. The company has updated its policies and procedures where appropriate. Enhanced policies have been issued to staff with particular focus on Anti-Bribery, Whistleblowing and Payments policies. The costs of the MSC are borne by another group company.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Newscorp Investments (the company's ultimate UK parent company) has committed to providing financial support to enable the company to meet its liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements (see note 27).

Results and dividends

The loss for the year, after taxation, amounted to £11,869,000. The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

J. Witherow	
J. P. Harding	
S. L. Panuccio	
T. Mockridge	(Appointed 5 September 2011)
M. C. Gill	(Appointed 22 March 2012)
C. A. Milner	(Resigned 31 December 2010)
R. Brooks	(Resigned 8 August 2011)
J. R. Murdoch	(Resigned 13 September 2011)

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

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.

Policy on the payment of creditors

The company has no direct suppliers as a fellow subsidiary purchases on behalf of the group. All details relating to the supplier payment policy have been disclosed in the accounts of News International Trading Limited.

Times Newspapers Limited

The directors' report *(continued)*

Year ended 3 July 2011

Directors' responsibilities

The directors are responsible for preparing 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 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 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.

Disclosure of information to auditors

In so far as each of the persons who were directors at the date of approving these financial statements 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 to make themselves aware of any relevant audit information and to establish that the auditor is aware of that.

Donations

Charitable contributions made by the company in the financial year amounted to £5,500 (2010: £11,162). There were no political contributions (2010: £Nil).

Post balance sheet events

A number of announcements were made subsequent to the year-end that the company was to restructure the workforce to match the requirements of the business. The company has incurred £9,329,000 of costs relating to this restructure at the date of signing the financial statements. No provision has been made in the financial statements for these costs as there was no legal or constructive obligation to incur these costs as at the balance sheet date.

Following allegations of voicemail interception and payments to police against a fellow subsidiary, News Corporation has created an independently-chaired Management and Standards Committee (MSC), which operates independently from News International. The MSC is ensuring full co-operation with all relevant investigations and inquiries. The MSC is responsible for the review of the materials identified by the MSC and its advisors in their investigations and not the directors of the company. The company has updated its policies and procedures where appropriate. Enhanced policies have been issued to staff with particular focus on Anti-Bribery, Whistleblowing and Payments policies. The costs of the MSC are borne by another group company.

Times Newspapers Limited

The directors' report *(continued)*

Year ended 3 July 2011

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.

Auditor

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

Registered office
3 Thomas More Square
London
E98 1XY

Signed on behalf of the directors



S. L. Panuccio

Director

Approved by the directors on 30 March 2012

Company Registration Number 00894646

Times Newspapers Limited

Independent auditor's report to the members of Times Newspapers Limited

We have audited the financial statements of Times Newspapers Limited for the year ended 3 July 2011 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 28. 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 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 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 directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. 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 3 July 2011 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.

Opinion on other matter 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.

Times Newspapers Limited

Independent auditor's report to the members of Times 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 Ltd

TONY McCARTNEY (Senior Statutory Auditor)
For and on behalf of
ERNST & YOUNG LLP
Chartered Accountants & Statutory Auditor
Cambridge

30/3/2012

Times Newspapers Limited

Profit and loss account

Year ended 3 July 2011

	Note	2011 £000	2010 £000
Turnover	2	401,734	392,766
Cost of sales		(276,675)	(295,760)
Gross profit		125,059	97,006
Sales and marketing costs		(52,351)	(60,006)
Administrative expenses		(83,280)	(79,363)
Other operating income	3	1,063	—
Operating loss	4	(9,509)	(42,363)
Interest receivable and similar income	9	557	—
Interest payable and similar charges	10	(2,670)	(2,670)
Loss on ordinary activities before taxation		(11,622)	(45,033)
Tax on loss on ordinary activities	11	(247)	(957)
Loss for the financial year		<u>(11,869)</u>	<u>(45,990)</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 10 to 23 form part of these financial statements

Times Newspapers Limited

Balance sheet

3 July 2011

	Note	2011 £000	2010 £000
Fixed assets			
Intangible assets	12	1,425	1,425
Tangible assets	13	<u>1,936</u>	<u>1,932</u>
		<u>3,361</u>	<u>3,357</u>
Current assets			
Stocks	14	857	483
Debtors	15	374,402	368,772
Cash at bank and in hand		<u>25,287</u>	<u>29,948</u>
		400,546	399,203
Creditors: Amounts falling due within one year	18	<u>(805,985)</u>	<u>(792,966)</u>
Net current liabilities		(405,439)	(393,763)
Total assets less current liabilities		<u>(402,078)</u>	<u>(390,406)</u>
Creditors: Amounts falling due after more than one year	19	<u>(45,528)</u>	<u>(45,694)</u>
		<u>(447,606)</u>	<u>(436,100)</u>
Capital and reserves			
Called-up share capital	22	1,000	1,000
Equity share-based payment	23	822	459
Profit and loss account	23	<u>(449,428)</u>	<u>(437,559)</u>
Deficit	24	<u>(447,606)</u>	<u>(436,100)</u>

These financial statements were approved by the directors and authorised for issue on 30 March 2012, and are signed on their behalf by



S L Panuccio
Director

The notes on pages 10 to 23 form part of these financial statements

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

1. Accounting policies

Basis of preparation

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 & titles" below and note 13.

Newscorp Investments (the company's ultimate UK parent company) has committed to provide financial support and accordingly the directors continue to adopt the going concern basis 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 53 weeks ended 3 July 2011.

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.

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

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 USA and 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.

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.

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.

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

1. Accounting policies *(continued)*

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, £71,250 would have been charged to the profit and loss account in the year to 3 July 2011 (2010 - £71,250.)

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. Any impairment results from specific events or circumstances and do not indicate that the inherent lives of assets are anything other than indefinite.

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 Times dating back to 1785 and The Sunday Times dating back to 1822. These collections have not been recognised on the balance sheet as it has not been possible to obtain a valuation due to the one off nature of the collections.

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.

Leases

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

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

1. 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 NI Group 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.

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.

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.

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.

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

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 income

	2011	2010
	£000	£000
Other operating income	<u>1,063</u>	<u>—</u>

4. Operating loss

Operating loss is stated after charging

	2011	2010
	£000	£000
Operating lease costs		
- Plant and equipment	<u>408</u>	<u>402</u>

Included within operating loss is £26,400,000 (2010 £23,500,000) of costs recharged from other group companies at an appropriate mark up

The operating lease costs relate to commitments held by News International Trading Limited (a fellow subsidiary)

5 Auditors' remuneration

	2011	2010
	£000	£000
Audit of the financial statements	<u>160</u>	<u>129</u>

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 NI Group Limited

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

6. Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	2011 No	2010 No
Editorial	<u>542</u>	<u>608</u>

The aggregate payroll costs of the above were

	2011 £000	2010 £000
Wages and salaries	45,223	42,915
Social security costs	4,234	4,177
Other pension costs	4,563	4,901
Equity-settled share-based payments	363	276
Cash-settled share-based payments	144	206
	<u>54,527</u>	<u>52,475</u>

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. Directors' remuneration

The directors of the company are also directors of the holding company or fellow UK subsidiaries. The directors received total remuneration for the year of £6,577,331 (2010: £5,189,264), 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 subsidiary companies.

5 of the directors were members of the defined benefit scheme (2010: 5).

Total payments in respect of compensation for loss of office of £1,242,050 (2010: £Nil) were made in the year.

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

8. Pensions

The company participates in pension schemes operated by NI Group Limited (the company's intermediary UK parent company). 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 28 June 2010 to 3 July 2011. During the year NI Group Limited closed the main UK defined benefit pension plan to future accrual.

The total pension cost for the company was £4,563,000 (2010 £4,901,000) of which £3,502,000 (2010 £3,626,000) relates to the defined contribution scheme and £1,061,000 (2010 £1,275,000) relates to defined benefit schemes.

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 NewsCorp Investments (the ultimate UK parent company). The NI Group Limited (the intermediary UK parent company) deficit as at 3 July 2011 is £50,914,000 (2010 £56,635,000). The fair value of the plans assets amounts to £239,209,000 (2010 £205,730,000) whilst the benefit obligations amounts to £290,123,000 (2010 £262,365,000). The fair value of the plans assets amounts to £239,209,000 (2010 £205,730,000) whilst the benefit obligations amounts to £290,123,000 (2010 £262,365,000).

9. Interest receivable and similar income

	2011 £000	2010 £000
Other similar income receivable	<u>557</u>	<u>—</u>

10. Interest payable and similar charges

	2011 £000	2010 £000
On loans from NI Group Limited - repayable after more than five years (note 19)	1,234	1,234
On amounts due to the immediate parent	<u>1,436</u>	<u>1,436</u>
	<u>2,670</u>	<u>2,670</u>

Interest was charged at 5% on the loan due to the immediate parent company in both years.

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

11 Taxation on ordinary activities

(a) Analysis of charge in the year

	2011 £000	2010 £000
Current tax		
UK Taxation		
In respect of the year		
UK Corporation tax based on the results for the year at 27.50% (2010 28%)	22	-
Double taxation relief	(22)	-
	<u>-</u>	<u>-</u>
Foreign tax		
Current tax on income for the year	23	22
Total current tax	<u>23</u>	<u>22</u>
Deferred tax		
Origination and reversal of timing differences	210	935
Effect of changed tax rate on opening balance	14	-
Total deferred tax (note 16)	<u>224</u>	<u>935</u>
Tax on loss on ordinary activities	<u>247</u>	<u>957</u>

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 27.50% (2010 28%)

The differences are reconciled below

	2011 £000	2010 £000
Loss on ordinary activities before taxation	<u>(11,622)</u>	<u>(45,033)</u>
Loss on ordinary activities by rate of tax	(3,196)	(12,609)
Permanent differences	289	177
Accelerated capital allowances	5	(2)
Other timing differences	(99)	(548)
Group relief surrendered	3,024	12,982
Overseas withholding tax	-	22
Total current tax (note 11(a))	<u>23</u>	<u>22</u>

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

11. Taxation on ordinary activities *(continued)*

(c) Factors that may affect future tax charges

The standard rate of UK Corporation Tax reduced from 28% to 26% from 1 April 2011. Deferred tax has been restated accordingly in these financial statements. The Finance Act 2011 received Royal Assent on 19 July 2011, with the 26% rate being substantively enacted from 29 March 2011.

The UK government announced on 21 March 2012 further reductions in the standard rate of corporation tax to 24% from 1 April 2012 and by a further 1% per annum to 22% from 1 April 2014. These further reductions had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements.

12. Intangible fixed assets

	Publishing rights and titles £000
Cost	
At 28 June 2010 and 3 July 2011	<u>1,425</u>
Net book value	
At 3 July 2011	<u>1,425</u>
At 27 June 2010	<u>1,425</u>

An impairment review was performed and no provision was required.

13. Tangible fixed assets

	Heritage assets £000
Cost	
At 28 June 2010	1,932
Additions	<u>4</u>
At 3 July 2011	<u>1,936</u>
Net book value	
At 3 July 2011	<u>1,936</u>
At 27 June 2010	<u>1,932</u>

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

13. Tangible fixed assets *(continued)*

Heritage assets

Heritage assets are shown at a historic cost of £81,000 (2010 £77,000) and a valuation of £1,855,000 (2010 £1,855,000)

The collection of manuscripts, newspapers and other artefacts were independently valued at £1,524,000 in November 2003 by Sotheby's whilst the Art collection was valued at £331,000 by Robert Holden Limited in May 2001. 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 periods.

Five-year financial summary of heritage asset transactions

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Purchases					
Manuscripts & other artefacts	<u>4</u>	<u>7</u>	<u>9</u>	<u>11</u>	<u>7</u>

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

14. Stocks

	2011 £000	2010 £000
Raw materials	<u>857</u>	<u>483</u>

15. Debtors

	2011 £000	2010 £000
Amounts owed by group undertakings	371,499	366,456
Other debtors	533	116
Prepayments and accrued income	2,217	1,823
Deferred taxation (note 16)	<u>153</u>	<u>377</u>
	<u>374,402</u>	<u>368,772</u>

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

16. Deferred taxation

The deferred tax included in the Balance sheet is as follows

	2011 £000	2010 £000
Included in debtors (note 15)	<u>153</u>	<u>377</u>

The movement in the deferred taxation account during the year was

	2011 £000	2010 £000
Balance brought forward	377	1,312
Profit and loss account movement arising during the year	(224)	(935)
Balance carried forward	<u>153</u>	<u>377</u>

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

	2011 £000	2010 £000
Excess of depreciation over taxation allowances	139	138
Share based payments	-	239
Other timing differences	<u>14</u>	<u>-</u>
	<u>153</u>	<u>377</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 Newscorp Investments group will be sufficient to utilise the deferred tax asset being recognised

17. 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.

18. Creditors: Amounts falling due within one year

	2011 £000	2010 £000
Overdrafts	613,940	603,831
Amounts owed to group undertakings	169,528	166,782
Other taxation	545	40
Liability for cash-settled share-based payments < 1 year	249	100
Other creditors	6,999	7,350
Accruals and deferred income	<u>14,724</u>	<u>14,863</u>
	<u>805,985</u>	<u>792,966</u>

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

19. Creditors: Amounts falling due after more than one year

	2011 £000	2010 £000
Amounts owed to group undertakings	45,400	45,400
Liability for cash-settled share-based payments	128	294
	<u>45,528</u>	<u>45,694</u>

Included within amounts owed to group undertakings are 5% unsecured loan stock due to NI Group Limited in 2021 of £12,679,000 (2010 £12,679,000) and 15% unsecured loan stock due to NI Group Limited in 2021, of £4,000,000 (2010 £4,000,000)

20. 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, 5 August 2008 and 4 August 2010. 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.

Share options and average share price

Details of the number of share options and the weighted average exercise price (WAEP) for both equity and cash settled share based payments outstanding during the year are as follows:

	2011		2010	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	663,390 00	7 66	846,984 00	7 67
Granted during the year	87,834 00	10 13	–	–
Transfer to/from other group companies	13,460 00	6 43	1,093 00	6 90
Exercised during the year	(59,377 00)	7 20	(30,840 00)	7 40
Expired during the year	(44,288 00)	7 39	(153,847 00)	7 75
Outstanding at the end of the year	<u>661,019 00</u>	<u>8 02</u>	<u>663,390 00</u>	<u>7 66</u>
Exercisable at the end of the year	<u>390,655 00</u>	<u>9 10</u>	<u>382,306 00</u>	<u>8 51</u>

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

20. Share-based payments *(continued)*

The weighted average value of restricted stock units granted during the year was £10.13 (2010: £Nil). There have been no share options granted during the year (2010: None). The weighted average share price at the date of exercise for the options granted was £9.84 (2010: £9.31). The range of exercise prices for options outstanding during the year was £5.03 - £9.02 (2010: £5.03 - £9.02).

Financial impact

The expense recognised for share-based payments in respect of employee services received during the year to 3 July 2011 is £507,000 (2010: £482,000).

The portion of that expense arising from equity-settled share-based payment transactions is £363,000 (2010: £276,000).

The carrying amount of the liability relating to cash-settled share-based payment transactions as at 3 July 2011 is £377,000 (2010: £394,000).

21. Guarantees

The company is part of a collective group banking facility, in which NI Group Limited has provided multilateral guarantees of up to £20 million in respect of bank overdrafts of companies within the Newscorp Investments group.

22. Share capital

Authorised share capital:

	2011	2010
	£000	£000
850,000 "A" ordinary shares of £1 each	850	850
75,000 "B" ordinary shares of £1 each	75	75
75,000 "C" ordinary shares of £1 each	75	75
	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2011		2010	
	No	£000	No	£000
850,000 "A" ordinary shares of £1 each	850,000	850	850,000	850
75,000 "B" ordinary shares of £1 each	75,000	75	75,000	75
75,000 "C" ordinary shares of £1 each	75,000	75	75,000	75
	<u>1,000,000</u>	<u>1,000</u>	<u>1,000,000</u>	<u>1,000</u>

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.

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

23. Reserves

	Share-based payment	Profit and loss account
	£000	£000
Balance brought forward	459	(437,559)
Loss for the year	—	(11,869)
Equity settled share-based payments	363	—
Balance carried forward	<u>822</u>	<u>(449,428)</u>

24. Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Loss for the financial year	(11,869)	(45,990)
Equity settled share-based payments	363	276
Net reduction to shareholders' deficit	<u>(11,506)</u>	<u>(45,714)</u>
Opening shareholders' deficit	<u>(436,100)</u>	<u>(390,386)</u>
Closing shareholders' deficit	<u>(447,606)</u>	<u>(436,100)</u>

25. Leasing and other financial commitments

Commitments under operating lease agreements are held by News International Trading Limited, a fellow subsidiary within the Newscorp Investments group

26. Post balance sheet events

A number of announcements were made subsequent to the year-end that the company was to restructure the workforce to match the requirements of the business. The company has incurred £9,329,000 of costs relating to this restructure at the date of signing the financial statements. No provision has been made in the financial statements for these costs as there was no legal or constructive obligation to incur these costs as at the balance sheet date.

Following allegations of voicemail interception and payments to police against a fellow subsidiary, News Corporation has created an independently-chaired Management and Standards Committee (MSC), which operates independently from News International. The MSC is ensuring full co-operation with all relevant investigations and inquiries. The MSC is responsible for the review of the materials identified by the MSC and its advisors in their investigations and not the directors of the company. The company has updated its policies and procedures where appropriate. Enhanced policies have been issued to staff with particular focus on Anti-Bribery, Whistleblowing and Payments policies. The costs of the MSC are borne by another group company.

27. Funding

The financial statements are prepared on the going concern basis.

The net liabilities of the company are £447,606,000 (2010: £436,100,000) and net current liabilities are £405,439,000 at 3 July 2011 (2010: £393,763,000). Newscorp Investments (the company's ultimate UK parent company) 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.

Times Newspapers Limited

Notes to the financial statements

Year ended 3 July 2011

28. 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 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