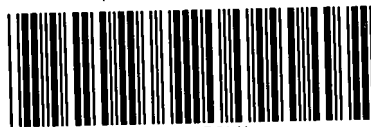


Times Newspapers Limited

Report and financial statements

For the year ended 3 July 2016

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Strategic report
For the year ended 3 July 2016

The directors present their Strategic report and the financial statements of the company for the year ended 3 July 2016.

Principal activities and business review

Times Newspapers Limited forms part of News Corporation which comprises of 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 Times Newspapers Limited is the publishing of The Times and The Sunday Times. The company uses the printing facilities of other members of the News Corp Investments UK & Ireland group ("News UK" group). The company's strategy is to provide a distinctive and differentiated editorial proposition that is unambiguously paid for and available as a product bundle across platforms that offer our customers choice.

The company generated turnover for the year of £341,688,000 (2015 - £342,566,000) with an adjusted operating profit of £11,219,000 (2015 - £18,626,000) and an operating loss of £2,573,000 (2015 – operating profit of £11,192,000). Turnover declined in the year driven by print advertising consistent with the overall industry which continues to suffer primarily from advertisers shifting spend from print into digital. The declines in print advertising revenue offset the solid performance in the other areas of the business, notably print circulation and digital subscriptions. Print circulation volume was bolstered by a strong performance for The Times Monday to Saturday growing +5% (according to the Audit Bureau of Circulation, ABC) outperforming the market and making considerable gains on key competitors. This was supported by the use of targeted bulks in premium channels, for example with British Airways. It was also achieved despite the first cover price increase for two years implemented in April 2016, going from £1.20 to £1.40. The Sunday Times experienced a slight decline in print circulation of 3% (source: ABC) although this performance was still favourable compared to the quality national newspaper sector in general. The business also had success increasing circulation in Scotland overtaking the Scotsman in March.

Digital subscriptions performed well increasing to 182,000 with a corresponding increase in revenue. A key driver of this growth has been the investments made into digital innovation, culminating in the launch of the new website and mobile apps for The Times and The Sunday Times in March 2016. The product has moved away from rolling news, instead focussing on insightful and reliable reporting with a clearer and cleaner design. These relaunches ensure the business continues to put customers at the core of its proposition and has led to greater subscriber engagement and enhanced data to help connect advertisers to audiences. The business will continue to develop these products to improve the experience for customers and clients. The Times also launched a seven day Irish digital edition for the first time in September 2015.

The Times and The Sunday Times launched a new TV advertising campaign during the year which comprised a 30-second TV and cinema ad, as well as posters with the strapline, "cut through the noise to the stories that matter". This was the first joint brand campaign and demonstrated what the two newspapers share in terms of editorial values and reader benefits, whilst communicating their different content pillars.

The business continues to focus on investing in talent and producing high quality journalism - key to the strong sales performance and helping to drive future success. This was recognised through the year with a host of awards and achievements; The Times Saturday edition won Weekend Newspaper of the Year at The London Press Club annual awards, The Sunday Times' Home section was voted National Newspaper Property Supplement of the Year at the LSL Property Awards, and journalists for the newspapers received 7 accolades from The Press Awards, including Sports Journalist of the Year, Broadsheet Feature Writer of the Year and Broadsheet Columnist of the Year.

The relevance of The Times and The Sunday Times was highlighted following the EU referendum result. On Friday June 24th, the day of the result, the website subscription was removed to allow non-members free access to the site for 24 hours - nearly 800,000 unique visitors accessed the site, with 15 per cent of traffic coming from the United States. On Saturday June 25th The Times print newspaper sold over 100,000 additional copies compared to the prior week making it the biggest selling edition since the Royal Wedding in 2011. Following the EU referendum result a new campaign was launched with the end line, 'Know your times', speaking to the need for quality journalism and trusted news sources to make sense of a fast-changing world.

Times Newspapers Limited

Strategic report (continued) For the year ended 3 July 2016

Principal activities and business review (continued)

The company's EBITDA has decreased compared to the prior year, mainly due to an increase in restructuring costs. Excluding the impact of restructuring costs, EBITDA is £15,269,000 (2015 - £18,626,000). This is due in part to the decrease in revenue discussed above, and also to an increase in newsprint and production costs following increased circulation volumes.

Key performance indicators

The key performance indicators include Turnover, EBITDA growth and newspaper ABCs as shown in the detail below:

	2016	2015
	£000	£000
Turnover	341,688	342,566
EBITDA	1,477	11,193
EBITDA excluding restructuring expense	15,269	18,626

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation charges.

ABC Circulation (source: Audit Bureau of Circulations Limited June 2016 12 month certified average net circulation per issue)

	2016	2015
The Times	412,000	394,000
The Sunday Times	775,000	795,000
Digital-only subscribers at year end – Times and Sunday Times	182,000	149,000

Future developments

The future for The Times and The Sunday Times remains strong with a commitment to deliver high quality journalism. Growth in subscriptions – both print and digital – remains fundamental to ensuring the continued success of the business. Work has also begun on new businesses beyond subscriptions, with The Times travel vertical showing a promising start and further extensions planned. In order to help showcase the strength of the digital offer, at the end of July 2016 The Times and The Sunday Times introduced a “registered access” scheme enabling readers to sign-up and view two free articles each week whilst also receiving a daily email highlighting the most important stories. The updated websites and mobile apps put the business in a very good position to capitalise on these additional views and grow subscriber numbers. There is also the potential to expand internationally and market ‘The Times of London’ brand outside of the UK providing international readers with an understanding of the UK market, especially given London's influence globally as a financial hub.

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.

Principal risks and uncertainties facing the business (continued)

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, including the implementation of digital subscriptions and bundles with other News Corp subsidiaries.

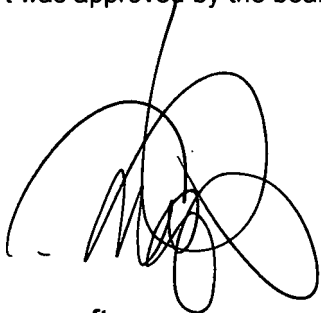
The company has no trade debtors, with other companies within the News UK group collecting advertising and circulation revenue on behalf of the company. Bad debts associated with advertising and circulation revenue are recharged to the company. Credit checks are performed for all new advertising customers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

The company is exposed to libel claims in the ordinary course of business and vigorously defends against claims received. The Group makes provision for the estimated costs to defend such claims when incurred and provides for any settlement costs when such an outcome is judged probable.

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

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above the printed name of the Director.

C. C. S. Longcroft
Director

Date: 25 October 2016

Times Newspapers Limited

Directors' report For the year ended 3 July 2016

Directors' report

The directors present their report and the financial statements for the year ended 3 July 2016.

Going concern

News Corporation has committed to provide financial support until 30 November 2017 to News Corp Investments UK & Ireland which in turn supports News Corp UK & Ireland Limited and its subsidiary undertakings.

As highlighted in note 19 to the financial statements, News Corp UK & Ireland Limited operates two collective overdraft facilities, in which News Corp UK & Ireland Limited has provided multilateral guarantees of up to £20 million in respect of each of these bank overdrafts of subsidiary undertakings. These facilities are ultimately guaranteed by News Corporation.

The News UK group has prepared a rolling three year forecast in which the cash flows of the group are assessed. These show the group to be cash generative and a letter of support has also been received from News Corp UK & Ireland Limited.

The above factors led the directors to conclude that they have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future.

Results and dividends

The loss for the year, after taxation, amounted to £4,292,000 (2015 - profit £9,032,000).

The directors do not recommend a dividend (2015 - £Nil).

Directors

The directors who served during the year were:

R. Brooks (appointed 4 December 2015)
D. Dinsmore
M. C. Gill
M. Ivens
C. C. S. Longcroft
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 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
For the year ended 3 July 2016

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company financial statements 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; 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 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 the 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.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed 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 the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

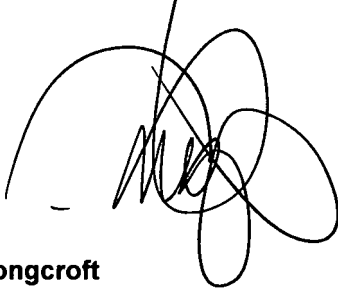
Auditors

The Directors have passed a resolution to dispense with the requirement to reappoint auditors annually. Ernst & Young LLP are deemed to be reappointed as auditor

Times Newspapers Limited

**Directors' report
For the year ended 3 July 2016**

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

A handwritten signature in black ink, consisting of several overlapping loops and a central vertical stroke, positioned above the name C. C. S. Longcroft.

C. C. S. Longcroft
Director

Date: 25 October 2016

1 London Bridge Street
London
SE1 9GF

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 2016, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 27. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 3 July 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those accounts.

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

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.



Neil Cullum (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP
Statutory Auditor
London

Date: 27 Feb 2016

Profit and loss account
For the year ended 3 July 2016

	Note	2016 £000	2015 (restated) £000
Turnover	4	341,688	342,566
Cost of sales		(229,469)	(213,089)
Gross profit		112,219	129,477
Sales and marketing costs		(32,611)	(34,482)
Administrative expenses		(68,389)	(76,369)
Adjusted operating profit		11,219	18,626
Restructuring expense	9	(13,792)	(7,434)
Total operating (loss)/profit	5	(2,573)	11,192
Interest payable and similar charges	11	(2,376)	(2,390)
(Loss)/profit on ordinary activities before taxation		(4,949)	8,802
Taxation on (loss)/profit on ordinary activities	12	657	230
(Loss)/profit for the financial year		(4,292)	9,032

All amounts relate to continuing operations.

Adjusted operating profit is defined as total operating profit before restructuring costs.

Statement of other comprehensive income
For the year ended 3 July 2016

	Note	2016 £000	2015 (restated) £000
(Loss)/profit for the financial year		(4,292)	9,032
Total comprehensive income for the year		(4,292)	9,032

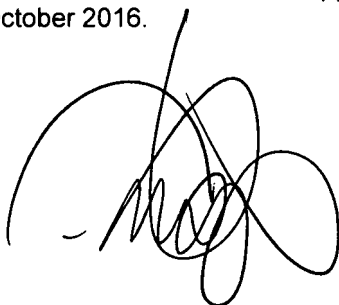
The notes on pages 12 to 27 form part of these financial statements.

Times Newspapers Limited

Balance sheet As at 3 July 2016

	Note	2016 £000	2015 (restated) £000
Fixed assets			
Intangible assets	13	7,354	-
Heritage assets	14	1,614	1,614
Current assets			
Stocks	15	790	1,210
Debtors	16	74,572	13,386
Cash at bank and in hand	18	130	170
		<u>75,492</u>	<u>14,766</u>
Creditors: amounts falling due within one year	20	(538,914)	(466,249)
Net current liabilities		<u>(463,422)</u>	<u>(451,483)</u>
Total assets less current liabilities		<u>(454,454)</u>	<u>(449,869)</u>
Creditors: amounts falling due after more than one year	21	(47,110)	(47,403)
Net liabilities		<u>(501,564)</u>	<u>(497,272)</u>
Capital and reserves			
Called up share capital	23	1,000	1,000
Profit and loss account		(502,564)	(498,272)
Shareholders' deficit		<u>(501,564)</u>	<u>(497,272)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 October 2016.



C. C. S. Longcroft
Director

The notes on pages 12 to 27 form part of these financial statements.

**Statement of changes in equity
For the year ended 3 July 2016**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 29 June 2015 – as restated	1,000	(498,272)	(497,272)
Loss for the year	-	(4,292)	(4,292)
Total comprehensive loss for the year	-	(4,292)	(4,292)
At 3 July 2016	1,000	(502,564)	(501,564)

**Statement of changes in equity
For the year ended 28 June 2015**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 30 June 2014	1,000	(507,304)	(506,304)
Profit for the year – as restated	-	9,032	9,032
Total comprehensive income for the year	1,000	9,032	9,032
At 28 June 2015 – as restated	1,000	(498,272)	(497,272)

The notes on pages 12 to 27 form part of these financial statements.

Times Newspapers Limited

Notes to the financial statements For the year ended 3 July 2016

1. General information

Times Newspapers Limited is a limited liability company incorporated in the United Kingdom under the Companies Act. The address of the registered office is 1 London Bridge Street, London, SE1 9GF. The nature of the company's operations and its principal activities are set out in the Strategic report on page 1.

2. Accounting policies

2.1 Statement of compliance

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2.2 Basis of preparation

The financial statements of Times Newspapers Limited were approved for issue by the Board of Directors on 25 October 2016. The financial statements have been prepared on a going concern basis, under the historical cost convention, modified to include certain items at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The financial statements are made up to the Sunday closest to 30 June each year. Consequently, the financial statements for the current period cover 53 weeks ended 3 July 2016. The financial statements are presented in pounds sterling which is the functional currency of the company, and rounded to the nearest £'000.

The company transitioned from previously extant UK GAAP to FRS 102 as at 30 June 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in note 26.

2.3 FRS 102 reduced disclosure exemptions

FRS 102 paragraph 1.12 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The equivalent disclosures are included in the consolidated financial statements of News Corporation.

The company has taken advantage of the following exemptions:

- (a) From preparing a statement of cash flows and related notes as required by Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- (b) From the financial instruments disclosures as required by FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, including:
 - Categories of financial instruments,
 - Items of income, expenses, gains or losses relating to financial instruments, and
 - Exposure to and management of financial risks.
- (c) From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

2.4 Related party transactions

As a wholly owned subsidiary undertaking of News Corporation whose financial statements are publically available, the company has taken advantage of the exemption in FRS 102 Section 33 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the group headed by News Corporation.

2. Accounting policies (continued)

2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company, and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the entity. Specific revenue recognition criteria also apply depending on the revenue stream, as described below:

Print advertising revenue is recognised on issue of publication net of any agency rebate.

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

Circulation revenue is recognised at the point of sale. A deduction is made from circulation revenue for expected returns and is updated for actual returns as known.

Subscriptions revenue is recognised on a straight line basis over the period of the subscription.

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

2.6 Interest receivable and payable

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

2.7 Operating leases

Rentals payable under operating leases are charged on a straight-line basis to the profit and loss account over the lease term. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

2.8 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.

2.9 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence. See note 9 for more detail.

2.10 Taxation

Taxation expense for the reporting period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax, including UK corporation tax and foreign tax, is the amount payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

2.10 Taxation (continued)

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are considered as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits or deferred tax liabilities in the foreseeable future against which to recover carried forward tax losses and from which the future reversal of 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 are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Foreign currency

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

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life.

The estimated useful lives range as follows:

Internal use software	-	3	Years
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2.13 Heritage assets

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 had previously been 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. However, FRS 102 paragraph 34.51 requires entities to recognise and measure heritage assets using the cost model or revaluation model. The company has applied the cost model, and has taken the deemed cost exemption under FRS 102 paragraph 35.10(d). As a result all heritage assets are carried at cost, from the date of transition. No depreciation has been charged on these assets.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. 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.

Provision is made for obsolete, slow moving or defective items where appropriate.

**Notes to the financial statements
For the year ended 3 July 2016**

2. Accounting policies (continued)

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at present value of future payments, discounted at a market rate of interest, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at the present value of future payments, discounted at a market rate of interest, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 Critical judgements in applying the company's accounting policies

No critical judgements in applying the company's accounting policies have been identified in the current or preceding year.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.2.1 Contract discount and rebate provisions

The Company enters into agreements with advertising agencies and certain clients, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency or client based on the level of agency spend over the contract period. These rebates can take the form of free advertising space, cash payments or both. The rebate provision is calculated using the forecast spend over the contract period and rebate entitlement set out in the trading agreement. Calculating the required provision therefore requires an estimate of future period spend in determining what tier of spend the agencies may reach over the agreement.

3.2.2 Recoverability of deferred tax assets

The company makes estimates regarding the recoverability of deferred tax assets relating to brought forward losses based on forecasts of future taxable profits which are, by their nature, uncertain. The deferred tax asset recognised at 3 July 2016 was £1,443,000 (28 June 2015 - £757,000).

3.2.3 Provision for libel claims

The company is exposed to libel claims in the ordinary course of business and vigorously defends against claims received. The Group makes provision for the estimated costs to defend such claims when incurred and provides for any settlement costs when such an outcome is judged probable. The libel provision as at 3 July 2016 was £2,857,000 (28 June 2015 - £4,178,000) and is included in creditors: amounts falling due within one year.

4. Turnover

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

Times Newspapers Limited

Notes to the financial statements For the year ended 3 July 2016

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2016 £000	2015 £000
Amortisation of intangible fixed assets	4,050	-
Operating lease rentals - plant and machinery	284	412
Other pension costs	3,863	3,057

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

6. Auditor's remuneration

	2016 £000	2015 £000
Audit of the financial statements	231	211

Auditor's remuneration is borne by another group undertaking.

7. Staff costs

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	36,772	36,593
Social security costs	4,003	3,969
Other pension costs	3,863	3,057
	44,638	43,619

Included in wages and salaries is £3,387,000 (2015 - £3,055,000) of compensation for loss of office costs which are reported within restructuring costs.

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

	2016 No	2015 No
Editorial	478	459

Times Newspapers Limited

Notes to the financial statements For the year ended 3 July 2016

8. Directors' remuneration

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

	2016 £000	2015 £000
Directors' emoluments	11,072	4,893
Value of company contributions to defined contribution pension schemes	50	56
Total	11,122	4,949

The highest paid director received remuneration of £3,581,000 (2015 - £2,148,000)

The number of directors who accrued benefits under company pension schemes was as follows:

	2016 No	2015 No
Defined benefit schemes	-	1

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:

	2016 No	2015 No
Long term incentive plan	5	5

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 £2,682,000 was paid to former directors as compensation for loss of office (2015 - £1,121,000).

9. Restructuring expense

	2016 £000	2015 £000
Cost of restructuring the company	13,792	7,434

During the year the company restructured its workforce to match the requirements of the business and incurred £13,792,000 of redundancy costs relating to this restructure as at the balance sheet date.

£

10. 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 calculated 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.

Following a group restructure on 4 July 2011, all pension expenses were transferred to 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 £3,863,000 (2015 - £3,057,000) all of which relates to defined contribution scheme.

Retirement benefit obligation disclosures for the defined benefit schemes are not presented in these company accounts, as the defined benefit scheme is a group scheme, and there is no group policy in place for charging the net defined benefit cost to individual group companies. Under FRS 102, this means that the defined benefit scheme deficit should be recognised in the financial statements of the group entity that is legally responsible for the plan, which for this group is News Corp UK & Ireland Limited. The News Corp UK & Ireland Limited deficit as at 3 July 2016 is £65,117,000 (2015 - £27,366,000). The fair value of the plans assets amounts to £407,226,000 (2015 - £380,956,000) whilst the benefit obligations amounts to £472,343,000 (2015 - £408,322,000).

11. Interest payable and similar charges

	2016 £000	2015 £000
On loans from group undertakings (note 20)	940	954
On amounts due to the parent undertaking	1,436	1,436
	<u>2,376</u>	<u>2,390</u>

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

Times Newspapers Limited

**Notes to the financial statements
For the year ended 3 July 2016**

12. Taxation

a) Analysis of tax (credit)/charge in the year

	2016 £000	2015 £000
UK corporation tax		
Current tax on profits for the year	29	36
Double tax relief	(29)	(36)
Total UK corporation tax	-	-
Foreign tax		
Foreign tax on profits for the year	29	36
Total current tax	29	36
Deferred tax		
Origination and reversal of timing differences	(813)	(231)
Effect of rate change	160	8
Adjustments in respect of prior years	(33)	(43)
Total deferred tax	(686)	(266)
Taxation on loss on ordinary activities (see note below)	(657)	(230)

12. Taxation (continued)

b) Reconciliation of total tax charge included in profit and loss

The tax assessed for the year/period is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.75%). The differences are explained below:

	2016 £000	2015 (restated) £000
(Loss)/Profit on ordinary activities before tax	(4,949)	8,802
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.75%)	(990)	1,826
Effects of:		
Expenses not deductible for tax purposes	206	97
Adjustments in respect of prior years	(33)	(43)
Effect of rate change	160	8
Group relief and transfer pricing adjustments	473	(2,551)
Effect of transitional adjustments	-	(58)
Effect of prior year adjustment	(473)	491
Total tax charge for the year	(657)	(230)

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 received Royal Assent on 18 November 2015. Subsequently the 2016 Budget stated that from 1 April 2020 the rate will instead reduce to 17%. This change received Royal Assent on 15 September 2016.

Deferred tax balances have been measured at a rate of 18%, being the rate substantively enacted at the balance sheet date.

Times Newspapers Limited

Notes to the financial statements For the year ended 3 July 2016

13. Intangible assets

	Internal use software £000
Cost	
At 29 June 2015	-
Additions	6,868
Transfer from group company	10,885
Disposals	(2,193)
	<hr/>
At 3 July 2016	15,560
Amortisation	
At 29 June 2015	-
Charge for the period	4,050
Transfers from group company	6,349
Disposals	(2,193)
	<hr/>
At 3 July 2016	8,206
Net book value	
At 3 July 2016	<hr/> 7,354 <hr/>
At 28 June 2015	<hr/> - <hr/>

Computer equipment fixed assets with a net book value of £4,536,000 were transferred from News Corp UK & Ireland Limited to Times Newspapers Limited on 29 June 2015, and therefore were owned by Times Newspapers Limited throughout the year ending 3 July 2016.

14. Heritage assets

	£000
Cost	
At 29 June 2015	1,614
	<hr/>
At 3 July 2016	1,614
Net book value	
At 3 July 2016	<hr/> 1,614 <hr/>
At 28 June 2015	<hr/> 1,614 <hr/>

The collection of manuscripts, newspapers and other artefacts were independently valued at £1,524,000 in November 2003 by Sotheby's with additional purchases made at cost amounting to £90,000. The directors feel that this valuation is still appropriate. The company has applied the cost model, and has taken the deemed cost exemption under FRS 102 paragraph 35.10(d), as a result all heritage assets are carried at cost, from the date of transition.

Additions and disposals in the year

During the period there have been no additions or disposals to the collections of heritage assets.

Five year history

There have been no significant additions or disposals of heritage assets within the past 5 financial periods

Times Newspapers Limited

**Notes to the financial statements
For the year ended 3 July 2016**

15. Stocks

	2016 £000	2015 £000
Raw materials	790	1,210

16. Debtors

	2016 £000	2015 £000
Amounts owed by group undertakings	60,871	208
Other debtors	6,002	6,924
Prepayments and accrued income	6,256	5,497
Deferred taxation (see note 17)	1,443	757
	<u>74,572</u>	<u>13,386</u>

In the amounts included in debtors above, deferred taxation of £1,443,000 (2015 - £757,000) falls due after more than one year. All other amounts fall due within one year.

17. Deferred taxation

	2016 £000	2015 £000
At beginning of year	757	491
Profit and loss movement arising during the year	813	231
Effect of rate change	(160)	(8)
Adjustments in respect of prior years	33	43
At end of year	<u>1,443</u>	<u>757</u>

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
Fixed asset timing differences	1,177	464
Other timing differences	266	293
	<u>1,443</u>	<u>757</u>

No reversal of the deferred tax asset is anticipated over the coming year.

18. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	130	170
Less: bank overdrafts (see note 19)	(282,131)	(287,427)
	<u>(282,001)</u>	<u>(287,257)</u>

Times Newspapers Limited

Notes to the financial statements For the year ended 3 July 2016

19. Group banking arrangements

News Corp UK & Ireland Limited operated 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.

20. Creditors: Amounts falling due within one year

	2016 £000	2015 (restated) £000
Bank overdrafts (see note 18)	282,131	287,427
Amounts owed to group undertakings	218,832	141,862
Taxation and social security	842	1,373
Other creditors	4,681	3,732
Accruals and deferred income	32,428	31,855
	<u>538,914</u>	<u>466,249</u>

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

	2016 £000	2015 £000
Amounts owed to group undertakings	<u>47,110</u>	<u>47,403</u>

Included within amounts owed to group undertakings are 5% unsecured loan stock due to News Corp UK & Ireland Limited in 2021 of £12,679,000 (2015 - £12,679,000) and 15% unsecured loan stock due to News Corp UK & Ireland Limited in 2021 of £6,004,000 (2015 restated - £6,283,000).

The 15% loan stock is restated from £4,000,000 previously reported for 2015 due to FRS 102 transition which requires the loan stock to be discounted at a market rate of interest rather than the loan rate of 15%. See note 26 for further detail.

22. Funding

The financial statements are prepared on the going concern basis.

The net liabilities of the company are £501,564,000 (2015 - £497,272,000) and net current liabilities are £463,422,000 at 3 July 2017 (2015 - £451,483,000). News Corp UK and Ireland Limited 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 For the year ended 3 July 2016 Share capital

23.

	2016 £000	2015 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
850,000 "A" ordinary shares shares of £1 each	850	850
75,000 "B" ordinary shares shares of £1 each	75	75
75,000 "C" ordinary shares 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.

24. Leasing and other financial commitments

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

25. Ultimate parent company

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

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

The smallest and 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 consolidated financial statements are available to the public and may be obtained from 1 London Bridge Street, London, SE1 9GF.

Times Newspapers Limited

Notes to the financial statements
For the year ended 3 July 2016

26. First time adoption of FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 28 June 2015.

The date of transition to FRS 102 was 30 June 2014.

	Note	Previous UK GAAP 30 June 2014 £000	Effect of transition 30 June 2014 £000	FRS 102 30 June 2014 £000	Previous UK GAAP 28 June 2015 £000	Effect of transition 28 June 2015 £000	FRS 102 28 June 2015 £000
Intangible assets	26.1	1,425	(1,425)	-	1,425	(1,425)	-
Heritage assets	26.2	1,944	(331)	1,613	1,945	(331)	1,614
Current assets		22,676	-	22,676	14,766	-	14,766
Creditors: amounts falling due within one year		(482,910)	-	(482,910)	(466,249)	-	(466,249)
Net current liabilities		(460,234)	-	(460,234)	(451,483)	-	(451,483)
Total assets less current liabilities		(456,865)	(1,756)	(458,621)	(448,113)	(1,756)	(449,869)
Creditors: amounts falling due after more than one year	26.3	(45,400)	(2,284)	(47,684)	(45,400)	(2,003)	(47,403)
Net liabilities		(502,265)	(4,040)	(506,305)	(493,513)	(3,759)	(497,272)
Capital and reserves	26.1, 26.2, 26.3	(502,265)	(4,040)	(506,305)	(493,513)	(3,759)	(497,272)

Times Newspapers Limited

Notes to the financial statements For the year ended 3 July 2016

26. First time adoption of FRS 102 (continued)

	Note	Previous UK GAAP 28 June 2015 £000	Effect of transition 28 June 2015 £000	FRS 102 28 June 2015 £000
Turnover		342,566	-	342,566
Cost of sales		(213,089)	-	(213,089)
		129,477	-	129,477
Sales and marketing costs		(34,482)	-	(34,482)
Administrative expenses		(76,369)	-	(76,369)
Restructuring expense	26.4	-	(7,434)	(7,434)
Operating profit		18,626	(7,434)	11,192
Restructuring expense	26.4	(7,434)	7,434	-
Interest payable and similar charges	26.3	(2,670)	280	(2,390)
Taxation		230	-	230
Profit on ordinary activities after taxation and for the financial period		8,752	280	9,032

Explanation of changes to previously reported profit and equity:

26.1 Intangible assets

FRS 102 states that all intangible assets are assumed to have finite lives and must be amortised. Under previous UK GAAP, the company's intangible assets were deemed to have indefinite useful lives and therefore no amortisation was charged. Had amortisation been charged since the date of acquisition, the company's intangible assets would have been fully amortised before the transition date, and therefore the intangible assets with a value of £1,425,000 have been fully written off on transition to FRS 102.

26.2 Heritage assets

The heritage assets previously recognised by the company consist of manuscripts, newspapers and other artefacts, and an art collection. Under FRS 102 the art collection no longer meets the definition in Section 34 'Heritage Assets', because they are not maintained 'principally for their contribution to knowledge and culture'. These assets can also not be recognised under section 17 as Property, Plant and Equipment because due to the specialised nature of the collections. As a result, the art collection has been derecognised from heritage assets and have been written off as at the date of transition, reducing heritage assets as at 28 June 2015 by £331,000 (2014 - £331,000).

**Notes to the financial statements
For the year ended 3 July 2016**

26. First time adoption of FRS 102 (continued)

26.3 15% loan stock

Under FRS 102, debt instruments such as loan stock must be discounted at a market rate of interest. The company has £4,000,000 of 15% loan stock, and as 15% is not a market rate of interest, a transition adjustment was required. The creditor adjustment of £2,003,000 for 2015 and £2,284,000 for 2014 is the difference between the present value of future cash flows when discounted for at 15%, and the present value when discounted at the market rate of 5.1%. The interest payable adjustment of £280,000 is the decrease in the interest to 5.1% from 15%.

26.4 Restructuring expense

Under previous UK GAAP, restructuring expenses were presented on the face of the profit and loss account below operating profit. Under FRS 102 all costs relating to the company's operating activities must be included in operating profit, and therefore restructuring expenses are now presented above operating profit in the profit and loss account. This has £Nil net impact on the reported loss for the financial period.

27. Prior year adjustment

A prior year adjustment of £2,366,000 was identified in relation to contractual retrospective rebates with advertising clients. This is a key source of estimation uncertainty as per Note 3. The impact on the comparative information as at 28 June 2015 and for the year then ended was as follows: decreased revenue and profit for the financial year by £2,366,000, and increased shareholder's deficit and accruals and deferred revenue by £2,366,000.