

Registration number: 00894646

Times Newspapers Limited

Report and financial statements
for the year ended 2 July 2017

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Times Newspapers Limited

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Times Newspapers Limited

Strategic Report for the year ended 2 July 2017

The directors present their Strategic Report and the financial statements of the company for the year ended 2 July 2017.

Principal activities and business review

Times Newspapers Limited forms part of the News Corporation group ("the Group") which is a global diversified media and information services company focused on creating and distributing authoritative and engaging content to consumers and businesses throughout the world. The Group comprises businesses across a range of media, including: news and information services, book publishing, digital real estate services, cable network programming in Australia and pay-TV distribution in Australia, that are distributed under some of the world's most recognizable and respected brands. Times Newspapers Limited is a publishing company.

The company generated turnover for the year of £319,467,000 (2016 - £341,688,000) with an adjusted operating profit of £2,835,000 (2016 - £11,219,000) and an operating loss of £4,185,000 (2016 - £2,573,000). The year to 2 July 2017 was 52 weeks whereas the year to 3 July 2016 was 53 weeks. Turnover declined in the year driven by print advertising resulting from an industry wide decline, which continues to be impacted by advertisers shifting spend from print into digital. The decline in print advertising revenue offsets the strong performance in other areas of the business, notably the market leading print circulation performance across both titles as well as its digital subscriptions growth. For the six months to June 2017, The Times and The Sunday Times were the only paid for UK newspapers to show circulation growth year on year, outperforming the market and making considerable gains on key competitors. Furthermore, The Times is proudly now the number one quality newspaper in the UK over a seven day period.

Print circulation revenue was boosted by the increase in circulation volume and the full year impact of cover price increases of the Monday to Friday edition in the prior year as well as further cover price increases on both Monday to Friday and Saturday editions in April 2017. Print circulation was bolstered by a strong performance from The Times Monday to Saturday with volume increasing by 8% during the year (Audit Bureau of Circulation, ABC). This was supported by the use of targeted bulks in premium channels.

During the year, both The Times and The Sunday Times continued to enhance their product, with the launch of a revamped fashion magazine, Lxxx, on 3 December 2016, and a revamped Sunday Times on 2 April 2017. The latter included a fresher design, including an elegant new typeface and reorganised sections to enable easier reading. The Sunday Times saw a 1% increase in print circulation (ABC) during the year, a result which outperformed the market. The business also launched an Ireland print edition of The Times on 3 June 2017, building on digital investment and expanding reach and localised content in Ireland. Print subscriptions have also continued to grow, increasing by 7% to 180,000 on The Times, and by 5% to 189,000 on The Sunday Times.

The Times and The Sunday Times digital subscriptions performed well during the year with closing Times subscribers as of 2 July 2017 growing by 10% to 171,000, and Sunday Times digital subscriptions as at 2 July 2017 growing by 11% to 189,000. Key marketing campaigns such as "Buy one, get two months free", "£3 for 3" and "£8 for 8" have supported subscription sales whilst content-driven subscriber communications have driven churn to its lowest ever level. The Times and The Sunday Times online launched registered access on 28 July 2016, which provided non-subscribers two complimentary stories a week and a daily email highlighting the most important stories. This has been extremely successful at showcasing excellent content, with over 1m people now signed up.

In light of continual industry wide challenges in the print advertising market, News UK continues to develop innovative ways to serve the evolving needs of our customers. During the financial year, The Bridge, launched in 2016, developed a state of the art Pitch Desk, which offers the business a joined-up collaborative pitch space alongside all parts of the News Corp UK & Ireland business, including Wireless Group, Unruly and Storyful. This space has allowed News UK to better demonstrate how, using our combined talents, great scale, and excellent brands, we can connect advertisers to more valuable and engaged audiences than ever before.

Times Newspapers Limited

Strategic Report for the year ended 2 July 2017 (continued)

Principal activities and business review (continued)

The business continues to focus on investing in talent and producing high quality journalism which has been key to the strong sales performance and will help to drive future success. This was recognised through the year with a host of awards and achievements; The Times and The Sunday Times respectively were both awarded daily and Sunday newspaper of the year at The London Press Club awards. Individual talent was also rewarded with journalists for the newspapers receiving 9 accolades from The British Press Awards, including Political Journalist of the Year, Foreign Reporter of the Year and Young Journalist of the Year.

The Times and The Sunday Times remain committed to standing at the forefront of quality news reporting. The relevance and importance of the newspapers was highlighted by several key events, including the EU referendum, Chilcott Enquiry, Tory leadership battle, Andy Murray winning Wimbledon, both the UK and US Elections, as well as the tragic terrorist events that have taken place throughout Europe. The business saw a notable increase in circulation as a result of the high quality and in-depth journalism which supported the reporting of these key events. Notably, 'The New World cover-wrap' to The Times, which was released the day following the US elections supported incremental sales of over 43,000 copies alone making that edition the business's biggest selling Thursday edition since September 2011. Market share (based on ABC results) for that week reached 16%, the highest level achieved since February 1999.

The company's EBITDA has decreased compared to the prior year, mainly due to the challenges around print advertising, discussed above, which offset growth in digital advertising, print and digital circulation revenues. EBITDA for the period (excluding restructuring expense and one-off operating charges) was £6,993,000 (2016 - £15,269,000).

Key performance indicators

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

	2017	2016
	£ 000	£ 000
Turnover	319,467	341,688
EBITDA	(27)	1,477
EBITDA excluding restructuring expense and one-off operating charges	<u>6,993</u>	<u>15,269</u>

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

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

	2017	2016
The Sunday Times	786,000	775,000
The Times	<u>446,000</u>	<u>412,000</u>

Future developments

The future for The Times and The Sunday Times remains strong with a continuing commitment to the delivery of high quality journalism for our readers. Growth in subscriptions – both print and digital – remains fundamental to ensuring the ongoing success of the business in the face of free competition. Through continued investment in mobile, the business will provide a wider subscription proposition to customers, extending each edition into deeper engagement, which in turn will support revenue extensions.

Work continues on new businesses beyond subscriptions, early examples include The Times travel vertical and the launch of The Brief Premium, a new legal subscription service providing the latest intelligence for the legal community with daily news, practice area investigations, podcasts and detailed analysis from guest writers, with further extensions planned. The business will continue to market 'The Times of London' brand outside the UK and seek to expand internationally, whilst also growing its corporate reach.

Times Newspapers Limited

Strategic Report for the year ended 2 July 2017 (continued)

Principal risks and uncertainties

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 the risks associated with paper used for printing. Paper is a basic commodity and its price is sensitive to the balance of supply and demand; as such, 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' judgements 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 judgements are based on factors such as cost, availability of alternative media, distribution and quality of readership demographics.

Like other newspaper groups, the company faces challenges to its traditional print business model from new media formats and shifting consumer preferences. The company is also exposed to the impact of long term structural movements in advertising spending, in particular, the move in 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 recognises the importance of maximising 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.

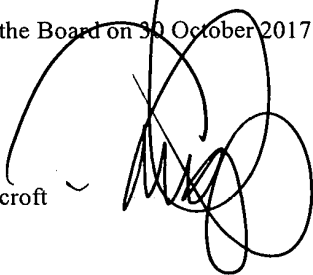
Risk to bad debt from circulation customers is limited due to the majority of customers paying by direct debit and any overdue accounts are blocked for further supply until full settlement is received.

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.

Approved by the Board on 30 October 2017 and signed on its behalf by:

C. C. S. Longcroft
Director



Times Newspapers Limited

Directors' Report For the year ended 2 July 2017

The directors present their report and the financial statements of the company for the year ended 2 July 2017.

Going concern

News Corporation has committed to provide financial support until at least 31 December 2018 to News Corp Investments UK & Ireland which in turn supports News Corp UK & Ireland Limited and its subsidiary undertakings.

News Corp UK & Ireland Limited operates two collective 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 lead 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 £8,016,000 (2016 - £4,292,000).

The directors do not recommend a dividend (2016 - £Nil).

Directors

The directors who held office during the year were as follows:

R. M. Brooks

D. W. Dinsmore

M. C. Gill

M. P. Ivens

J. Witherow

C. C. S. Longcroft

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.

Times Newspapers Limited

Directors' Report (continued)

For the year ended 2 July 2017

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 judgement is given against the director; and 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 them 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' responsibilities statement

The directors acknowledge their responsibilities 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 and apply them consistently;
- make judgements 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.

Times Newspapers Limited

Directors' Report (continued) For the year ended 2 July 2017

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 the auditor

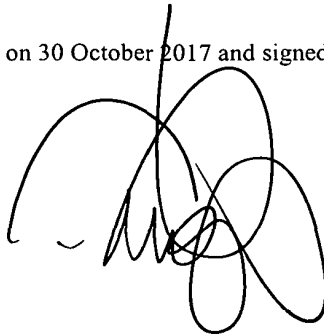
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

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 in the absence of a notice that the appointment is to be terminated.

Approved by the Board on 30 October 2017 and signed on its behalf by:

C. C. S. Longcroft
Director
1 London Bridge Street
London
SE1 9GF

A handwritten signature in black ink, consisting of several loops and a long vertical stroke, positioned to the right of the director's name and address.

Independent Auditor's Report to the Members of Times Newspapers Limited

Opinion

We have audited the financial statements of Times Newspapers Limited for the year ended 2 July 2017, 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 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 2 July 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Times Newspapers Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Neil Cullum (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 2/11/2017

Times Newspapers Limited

Profit and Loss Account For the year ended 2 July 2017

	Note	2017 £ 000	2016 £ 000
Turnover	3	319,467	341,688
Cost of sales		<u>(212,526)</u>	<u>(229,469)</u>
Gross profit		106,941	112,219
Sales and marketing costs		(33,084)	(32,611)
Administrative expenses		<u>(71,022)</u>	<u>(68,389)</u>
Adjusted operating profit	4	2,835	11,219
Restructuring expense	8	<u>(7,020)</u>	<u>(13,792)</u>
Operating loss	4	(4,185)	(2,573)
Interest payable and similar expenses	9	<u>(2,361)</u>	<u>(2,376)</u>
Loss before tax		(6,546)	(4,949)
Taxation	10	<u>(1,470)</u>	<u>657</u>
Loss for the financial year		<u><u>(8,016)</u></u>	<u><u>(4,292)</u></u>

All amounts relate to continuing operations.

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

Statement of Comprehensive Income For the year ended 2 July 2017

	2017 £ 000	2016 £ 000
Financial loss for the year	<u>(8,016)</u>	<u>(4,292)</u>
Total comprehensive income for the year	<u><u>(8,016)</u></u>	<u><u>(4,292)</u></u>

The notes on pages 12 to 24 form part of these financial statements.

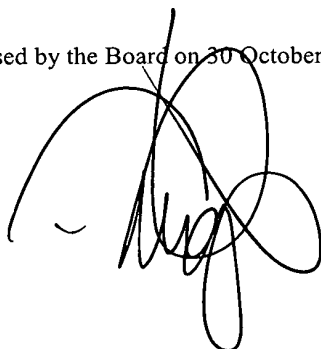
Times Newspapers Limited
Registered number: 00894646

Balance Sheet
As at 2 July 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	11	7,957	7,354
Heritage assets	12	<u>1,614</u>	<u>1,614</u>
		<u>9,571</u>	<u>8,968</u>
Current assets			
Stocks	13	641	790
Debtors	14	99,268	74,572
Cash at bank and in hand	16	<u>2,342</u>	<u>130</u>
		102,251	75,492
Creditors: Amounts falling due within one year	17	<u>(574,601)</u>	<u>(538,914)</u>
Net current liabilities		<u>(472,350)</u>	<u>(463,422)</u>
Total assets less current liabilities		(462,779)	(454,454)
Creditors: Amounts falling due after more than one year	17	<u>(46,801)</u>	<u>(47,110)</u>
Net liabilities		<u>(509,580)</u>	<u>(501,564)</u>
Capital and reserves			
Called up share capital	20	1,000	1,000
Profit and loss account		<u>(510,580)</u>	<u>(502,564)</u>
Shareholder's deficit		<u>(509,580)</u>	<u>(501,564)</u>

Approved and authorised by the Board on 30 October 2017 and signed on its behalf by:

C. C. S. Longcroft
Director



The notes on pages 12 to 24 form part of these financial statements.

Times Newspapers Limited

Statement of Changes in Equity For the year ended 2 July 2017

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 4 July 2016	1,000	(502,564)	(501,564)
Loss for the financial year	-	(8,016)	(8,016)
Total comprehensive income	-	(8,016)	(8,016)
At 2 July 2017	1,000	(510,580)	(509,580)

Statement of Changes in Equity For the year ended 3 July 2016

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 29 June 2015	1,000	(498,272)	(497,272)
Loss for the financial year	-	(4,292)	(4,292)
Total comprehensive income	-	(4,292)	(4,292)
At 3 July 2016	1,000	(502,564)	(501,564)

The notes on pages 12 to 24 form part of these financial statements.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017

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

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.

Basis of preparation

The financial statements of Times Newspapers Limited 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 below.

The financial statements are made up to the Sunday closest to the 30 June each year. Consequently, the financial statements for the current period cover 52 weeks ended 2 July 2017 (53 weeks to 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.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

Summary of 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 ultimate parent undertaking.

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.

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 102 Section 33 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the group headed by News Corporation.

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; (d) the costs incurred or to be incurred in respect of the transaction can be measured reliably and (e) 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.

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.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

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.

Pension

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.

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.

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.

Foreign currency transactions and balances

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.

Intangible assets

Intangible assets consist of internal use software, and 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.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Internal use software	3 years
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Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

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.

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.

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

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.

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.

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.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

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.

a. 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 their 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.

b. 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 2 July 2017 was £Nil (2016 - £1,443,000).

c. Provision for libel claims

The company is exposed to libel claims in the ordinary course of business and vigorously defends against claims received. The company 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 2 July 2017 was £2,546,000 (2016 - £2,857,000) and is included in creditors: amounts falling due within one year.

3 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.

4 Operating loss

Arrived at after charging:-

	2017	2016
	£ 000	£ 000
Operating lease expense - plant and machinery	307	284
Pension costs	3,168	3,678
Amortisation expense	4,158	4,050

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

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

5 Auditor's remuneration

	2017	2016
	£ 000	£ 000
Audit of financial statements	<u>232</u>	<u>231</u>

Auditor's remuneration is borne by another group undertaking.

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017	2016
	£ 000	£ 000
Wages and salaries	36,970	35,704
Social security costs	4,154	4,003
Pension costs	<u>3,168</u>	<u>3,678</u>
	<u>44,292</u>	<u>43,385</u>

Included in wages and salaries is £2,863,000 (2016 - £3,387,000) of compensation for loss of office costs which are reported within restructuring costs.

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	2017	2016
	No.	No.
Editorial	<u>483</u>	<u>478</u>

7 Directors' remuneration

The directors' remuneration for the period was as follows:

	2017	2016
	£ 000	£ 000
Remuneration	7,146	11,072
Value of company contributions to defined contribution pension schemes	<u>23</u>	<u>50</u>
	<u>7,169</u>	<u>11,122</u>

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

7 Directors' remuneration (continued)

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

	2017	2016
	No.	No.
Long term incentive plan	<u>5</u>	<u>5</u>

In respect of the highest paid director:

	2017	2016
	£ 000	£ 000
Remuneration	<u>2,669</u>	<u>3,581</u>

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

During the year no amounts were paid to former directors as compensation for loss of office (2016 - £2,682,000).

8 Restructuring expense

	2017	2016
	£ 000	£ 000
Restructuring expense	<u>7,020</u>	<u>13,792</u>

During the year the company restructured its workforce to match the requirements of the business and incurred £7,020,000 of redundancy costs relating to this restructure as at the balance sheet date.

9 Interest payable and similar expenses

	2017	2016
	£ 000	£ 000
On loans from group undertakings	925	940
On loans due to the parent undertaking	<u>1,436</u>	<u>1,436</u>
	<u>2,361</u>	<u>2,376</u>

Interest was charged at 5% on the loan due to the parent undertaking in both years. Interest was charged at 5.1% on the loan due from group undertakings in both years.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

10 Taxation

Tax charged/(credited) in the profit and loss account

	2017 £ 000	2016 £ 000
Tax charge/credit in the profit and loss account		
Current taxation		
UK corporation tax	-	29
UK corporation tax adjustment to prior periods	-	(29)
	-	-
Foreign tax	27	29
Total current income tax	27	29
Deferred taxation		
Origination and reversal of timing differences	1,244	(813)
Effect of rate change	170	160
Adjustments in respect of prior years	29	(33)
Total deferred taxation	1,443	(686)
Tax charge/credit in the profit and loss account	1,470	(657)

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.75% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Loss before tax	(6,546)	(4,949)
Corporation tax at standard rate	(1,293)	(990)
Expenses not deductible for tax purposes	218	206
Effect of rate changes	170	160
Deferred tax not recognised	1,904	-
Adjustments in respect of prior years	27	(33)
Group relief and transfer pricing adjustments	519	473
Effect of prior year adjustment	29	(473)
Other permanent differences	(104)	-
Total tax charge/(credit)	1,470	(657)

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

10 Taxation (continued)

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 17%, being the rate substantively enacted at the balance sheet date.

11 Intangible assets

	Internal use software £ 000
Cost	
At 4 July 2016	15,560
Additions	4,761
Disposals	(1,719)
At 2 July 2017	18,602
Amortisation	
At 4 July 2016	8,206
Amortisation charge	4,158
Amortisation eliminated on disposals	(1,719)
At 2 July 2017	10,645
Net book value	
At 2 July 2017	7,957
At 3 July 2016	7,354

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

12 Heritage assets

	£ 000
Cost	
At 4 July 2016	<u>1,614</u>
At 2 July 2017	<u>1,614</u>
Net book value	
At 2 July 2017	<u>1,614</u>
At 3 July 2016	<u>1,614</u>

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 years.

13 Stocks

	2017 £ 000	2016 £ 000
Raw materials and consumables	<u>641</u>	<u>790</u>

14 Debtors

	2017 £ 000	2016 £ 000
Amounts owed by group undertakings	88,943	60,871
Other debtors	5,055	6,002
Prepayments and accrued income	5,270	6,256
Deferred tax assets	15 -	1,443
Total current trade and other debtors	<u>99,268</u>	<u>74,572</u>

In the amounts included in debtors above, deferred taxation of £Nil (2016 - £1,443,000) falls due after more than one year. All other amounts fall due within one year.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

15 Deferred tax

The deferred tax is made up as follows:

	2017 £ 000	2016 £ 000
Balance brought forward	1,443	757
Profit and loss movement arising during year	(1,244)	813
Effect of rate change	(170)	(160)
Adjustments in respect of prior periods	(29)	33
	<u>-</u>	<u>1,443</u>

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

	2017 £ 000	2016 £ 000
Fixed asset timing differences	-	1,177
Other timing differences	-	266
	<u>-</u>	<u>1,443</u>

16 Cash and cash equivalents

	Note	2017 £ 000	2016 £ 000
Cash at bank		2,342	130
Bank overdrafts	17	<u>-</u>	<u>(282,131)</u>
		<u>2,342</u>	<u>(282,001)</u>

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

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

17 Creditors

	2017 £ 000	2016 £ 000
Due within one year		
Bank overdrafts	-	282,131
Amounts due to group undertakings	534,333	218,832
Social security and other taxes	1,541	842
Other payables	3,984	4,681
Accrued expenses	34,743	32,428
	<u>574,601</u>	<u>538,914</u>
Due after one year		
Amounts due to group undertakings	<u>46,801</u>	<u>47,110</u>

Included within amounts due to group undertakings are 5% unsecured loan stock due to News Corp UK & Ireland Limited in 2021 of £12,679,000 (2016 - £12,679,000) and 15% unsecured loan stock due to News Corp UK & Ireland Limited in 2021 of £5,401,000 (2016 - £5,710,000). All other amounts due to group undertakings relate to trading balances with no fixed repayment terms and no interest charged.

18 Funding

The financial statements are prepared on the going concern basis.

The net liabilities of the company are £509,580,000 at 2 July 2017 (2016 - £501,564,000). News Corp UK & Ireland Limited, the immediate 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.

19 Pension and other schemes

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 2014 to 31 March 2017.

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.

Times Newspapers Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

19 Pension and other schemes (continued)

The total pension cost for the company was £3,168,000 (2016 - £3,863,000) all of which relates to defined contribution schemes.

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 2 July 2017 is £65,610,000 (2016 - £65,117,000). The fair value of the plans assets amounts to £423,139,000 (2016 - £407,226,000) whilst the benefit obligations amounts to £488,749,000 (2016 - £472,343,000).

20 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£ 000	No.	£ 000
"A" Ordinary shares of £1 each	850,000	850	850,000	850
"B" Ordinary shares of £1 each	75,000	75	75,000	75
"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.

21 Leasing and other financial commitments

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

22 Ultimate parent company

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

The ultimate parent is News Corporation, 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.