Times Newspapers Limited

Accounts for the year ended 30 June 2001 together with Directors' and Auditors' reports

Registered number: 894646

Contents

Directors' report
For the year ended 30 June 2001

The Directors present their annual report on the affairs of Times Newspapers Limited ("the Company") together with the accounts and auditors' report for the year ended 30 June 2001.

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

Business review
The Company generated turnover for the year of £412,502,000 (2000 - £400,901,000). The Company's operating profit for the year was £22,085,000 (2000 - £25,029,000). The Directors expect the general level of activity to continue for the foreseeable future.

Results and dividends
The audited accounts for the year ended 30 June 2001 are set out on pages 4 to 13.

The Company's profit after taxation was £19,210,000 (2000 - £22,148,000).

The Directors do not recommend the payment of a dividend (2000 - £Nil).

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

L. F. Hinton	
R. M. Linford	
K. R. Murdoch	(Chairman)
Sir Edward Pickering	(Vice Chairman)
C. A. Rhodes	
P. M. Stothard	
J. Witherow	
A. MacLeod	

The Articles of Association do not require Directors to retire either by rotation or in the year of appointment.

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

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

Charitable and political contributions
Charitable contributions made by the Company in the financial year amounted to £1,500 (2000 - £10,102).
There were no political contributions (2000 - £Nil).

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

Directors' report - continued

Employee consultation
It is the policy of the Company to develop employee involvement throughout the organisation and to ensure that they are aware of the financial and economic factors affecting the Company and the Group of which it is a member.

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

Auditors
The Directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

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

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

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

By order of the Board

R. M. Linford
Director

1 Virginia Street
London
E98 1XY

7 December 2001

Auditors' report

Independent auditors' report to the shareholders of Times Newspapers Limited

We have audited the financial statements of Times Newspapers Limited for the year ended 30 June 2001 which comprise the accounting policies, the profit and loss account, the balance sheet and the related notes numbered 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

180 Strand
London
WC2R 1BL

7 December 2001

Principal accounting policies
30 June 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting
The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement
The Company is exempt from the requirement of Financial Reporting Standard No 1 to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary undertaking of a body corporate. A consolidated cash flow statement is included in the accounts of The News Corporation Limited ("TNCL"), the ultimate parent company.

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

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

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Foreign currency
Transactions in foreign currencies are recorded at the rate of exchange as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date with any resulting exchange gains or losses being recorded in the profit and loss account.

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

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

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

Principal accounting policies - continued

Leases
Rentals payable under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

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

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost.

a) The regular pension cost, which is the consistent ongoing cost, calculated as a level percentage of the current and expected future pensionable payroll.

b) Variations from the regular cost, arising from pension scheme surpluses or deficits allocated over the expected remaining service lives of employees in each scheme.

Any difference between the amounts charged in the profit and loss account and the amounts payable to the schemes for the year are recorded as creditors or prepayments as appropriate.

Certain current and former employees are entitled to post retirement medical benefits, the cost of which is met by the Company. The estimated cost of providing these benefits is charged against profits on a systematic basis over the employees working lives within the Company.

Related party transactions
The Company distributes its national newspapers through a group undertaking and sells all of its advertising space to another group undertaking. Accordingly, substantially all of the Company's turnover is derived from group undertakings.

Some of the Company's production and printing services together with administrative and support services, including personnel resources, are supplied by other members of the Group.

Therefore, a substantial part of the Company's reported activity relates to group transactions.

As a subsidiary undertaking of TNCL whose accounts are publicly available, the Company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by TNCL.

Profit and loss account

For the year ended 30 June 2001

	Notes	2001 £'000	2000 £'000
Turnover	1	412,502	400,901
Cost of sales		(281,370)	(264,846)
Gross profit		131,132	136,055
Other operating expenses (net)	2	(109,047)	(111,026)
Operating profit		22,085	25,029
Finance charges (net)	3	(2,875)	(2,881)
Profit on ordinary activities before taxation	4	19,210	22,148
Tax on profit on ordinary activities	6	-	-
Profit for the financial year		19,210	22,148

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company of £19,210,000 in the year ended 30 June 2001 (2000 - £22,148,000).

Details of movements on reserves are shown in Note 13.

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

The accompanying principal accounting policies and notes are an integral part of this profit and loss account.

Balance sheet
30 June 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Intangible assets	7	1,425	1,425
Current assets			
Stocks	8	1,442	792
Debtors	9	94,979	111,922
Cash at bank and in hand	10	592,291	499,291
		688,712	612,005
Creditors: Amounts falling due within one year	11	(535,381)	(477,884)
Net current assets		153,331	134,121
Total assets less current liabilities		154,756	135,546
Creditors: Amounts falling due after more than one year	12	(45,400)	(45,400)
Net assets		109,356	90,146
Equity capital and reserves			
Called-up share capital	13	1,000	1,000
Profit and loss account	13	108,356	89,146
Equity shareholders' funds	13	109,356	90,146

The accounts on pages 4 to 13 were approved by the Board of Directors on 7 December 2001 and signed on its behalf by:

R. M. Linford
Director

7 December 2001

The accompanying principal accounting policies and notes are an integral part of this balance sheet.

Notes to the accounts
30 June 2001

1 Segmental information

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

2 Other operating expenses (net)

	2001 £'000	2000 £'000
Selling and marketing costs	35,692	35,060
Administrative expenses	73,355	75,966
	109,047	111,026

3 Finance charges (net)

Interest payable and similar charges

	2001 £'000	2000 £'000
On loans from News International plc		
- repayable after more than five years (see note 12)	1,234	1,234
On amounts due to immediate parent	1,436	1,436
On amounts due to News International plc	205	213
	2,875	2,883

Interest was charged at 5% and 15% on loans due to News International plc ("NI plc").

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

	2001 £'000	2000 £'000
Investment income		
Interest receivable on amounts due from group undertakings	-	2

	2001 £'000	2000 £'000
Finance charges (net)		
Interest payable and similar charges	2,875	2,883
Less: investment income	-	(2)
	2,875	2,881

Notes to the accounts - continued

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £'000	2000 £'000
Other operating lease rentals	651	620
Staff costs (note 5)	33,806	31,246

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

5 Staff costs

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

	2001 Number	2000 Number
	519	498

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

	2001 £'000	2000 £'000
Wages and salaries	29,052	26,841
Social security costs	2,863	2,676
Other pension costs	1,891	1,729
	33,806	31,246

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

The administrative personnel resources of the Company are provided by other members of the Group. Therefore all administrative staff costs are shown in the fellow group undertaking and a recharge is made to the Company for the services of these personnel.

Notes to the accounts - continued

5 **Staff costs - continued**

Directors' remuneration:

The Directors of the Company receive fees and other emoluments from NI plc, the immediate parent company. The following amounts represent the recharges made by NI plc, relating to services in connection with the management of the Company.

	2001 £'000	2000 £'000
Emoluments	975	855

Highest paid Director:

The above amount for remuneration includes the following in respect of the highest paid Director.

	2001 £'000	2000 £'000
Emoluments	344	304

Pensions:

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

	2001 Number	2000 Number
Defined benefit schemes	3	3

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid Director at 30 June 2001 was £82,556 per annum (2000 - £77,453).

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

Pensions

The Company participates in two pension schemes operated by the NI plc group. The defined contribution scheme covers the majority of the executive, staff and works personnel. The remaining employees, mainly senior executives, are covered by a defined benefit scheme and their share of the underlying assets and liabilities are not readily identifiable. The assets of the pension schemes are held in separate externally administered trust funds which are fully funded. The pension costs relating to the defined benefit scheme are in accordance with the advice of a qualified actuary using the projected unit method. The schemes are valued by an independent qualified actuary on a triennial basis.

The total pension cost for the Company was £1,891,000 (2000 - £1,729,000) of which £1,755,096 (2000 - £1,588,664) relates to the defined contribution scheme and £135,904 (2000 - £140,336) to the defined benefit scheme.

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

Notes to the accounts - continued

5 **Staff costs - continued**

The latest actuarial valuation of the defined benefit scheme was prepared as at 1 July 2000. The assumptions which have the most significant effect on the results of the defined benefit scheme valuation are those relating to the rate of return on investments and the rate of increase in pensionable earnings and pensions. It was assumed that salary increases lag on average 2% behind growth of returns on investments and that increases to pensions in payment would be granted at 2.5% per annum.

This valuation showed that the market value of the assets of the pension scheme was £88.4m which represents an overall level of funding of 107% of past service liabilities. This surplus will be eliminated by revisions to the contribution rate. Pension costs charged in the profit and loss account reflect these actuarially determined contribution rates.

6 **Taxation**

Due to the availability of tax losses from other group undertakings there is no tax charge for the year (2000 - £Nil).

7 **Intangible fixed assets**

	Publishing rights and titles £'000
Cost	
Beginning and end of year	1,425

An impairment review was performed and no provision was required.

8 **Stocks**

	2001 £'000	2000 £'000
Raw materials and consumables	1,282	792
Finished goods	160	-
	1,442	792

9 **Debtors**

Amounts falling due within one year:

	2001 £'000	2000 £'000
Due from group undertakings	83,917	111,029
Prepayments and accrued income	3,086	884
VAT	7,884	-
Other debtors	92	9
	94,979	111,922

Notes to the accounts - continued

10 **Cash at bank and in hand**

The Group operates a collective overdraft facility with its bankers which allows individual companies in the group to overdraw subject to an agreed limit not being exceeded in aggregate. The overdraft facility is also guaranteed by TNCL.

11 **Creditors: Amounts falling due within one year**

	2001 £'000	2000 £'000
Due to group undertakings	172,925	155,158
Taxation and social security	-	552
Other creditors	1,139	3,014
Accruals and deferred income	361,317	319,160
	535,381	477,884

12 **Creditors: Amounts falling due after more than one year**

	2001 £'000	2000 £'000
Due to NI plc after more than five years		
- 5% unsecured loan stock 2021	12,679	12,679
- 15% unsecured loan stock 2021	4,000	4,000
Due to immediate parent	28,721	28,721
	45,400	45,400

13 **Equity capital and reserves**

a) Called-up equity share capital

	2001 £'000	2000 £'000
Authorised:		
850,000 "A" ordinary shares of £1 each	850	850
75,000 "B" ordinary shares of £1 each	75	75
75,000 "C" ordinary shares of £1 each	75	75
	1,000	1,000
Allotted and fully-paid:		
850,000 "A" ordinary shares of £1 each	850	850
75,000 "B" ordinary shares of £1 each	75	75
75,000 "C" ordinary shares of £1 each	75	75
	1,000	1,000

All shares rank equally except the "A" shares which carry preferential rights in relation to the first one million pounds of profit for the financial year.

Notes to the accounts - continued

13 **Equity capital and reserves - continued**

b) Reserves

	Profit and loss account £'000
Beginning of the year	89,146
Profit for the financial year	19,210
End of year	108,356

c) Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	19,210	22,148
Net addition to shareholders' funds	19,210	22,148
Opening shareholders' funds	90,146	67,998
Closing shareholders' funds	109,356	90,146

14 **Leasing and other financial commitments**

Commitments under operating lease agreements are held by News International Supply Company Limited, another company within the Group.

15 **Guarantees**

Under a collective group banking facility the Company has given multilateral guarantees in respect of bank overdrafts of other group companies.

16 **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 TNCL, a company incorporated in South Australia.

The largest group in which the results of the Company are consolidated is that headed by TNCL, whose principal place of business is at Holt Street, Sydney, New South Wales, Australia. The smallest group in which they are consolidated is that headed by Newscorp Investments, a company incorporated in England and Wales. The consolidated accounts of these groups are available to the public and may be obtained from 1 Virginia Street, London, E98 1FN.