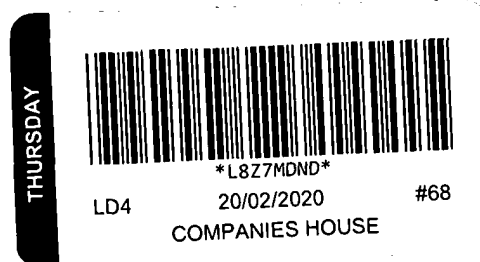


Registration number: 00679215

News Group Newspapers Limited

Report and financial statements

for the year ended 30 June 2019



News Group Newspapers Limited

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News Group Newspapers Limited

Strategic Report for the year ended 30 June 2019

The directors present their strategic report and the financial statements of the company for the year ended 30 June 2019.

Principal activities and business review

News Group Newspapers Limited forms part of News Corporation (the “Company,” “News Corp,” “we,” “us,” or “our”) which is a global diversified media and information services company focused on creating and distributing authoritative and engaging content and other products and services to consumers and businesses throughout the world. News Corporation comprises businesses across a range of media, including news and information services, subscription video services in Australia, book publishing and digital real estate services, that are distributed under some of the world’s most recognizable and respected brands, including The Wall Street Journal, Dow Jones, The Australian, Herald Sun, The Sun, The Times, HarperCollins Publishers, Foxtel, FOX SPORTS Australia, realestate.com.au, realtor.com®, talkSPORT and many others.

The principal activities of the company are the publishing of The Sun and The Sun on Sunday (“The Sun”) and the distribution of content through its digital platforms, including thesun.co.uk and other websites and apps (“The Sun Online”). The Sun is the number one selling newspaper in the UK by print circulation volume based on ABC (Audit Bureau of Circulation) data. The Sun Online is the number one digital newsbrand in the UK according to Comscore data. The Sun has grown its total brand reach according to PAMCo (Publishers Audience Measurement Company) data for the year ended 30 June 2019, with a monthly audience of 32.8m UK adults (2018 - 29.2m) across print and digital platforms, remaining number one brand in total reach for the second consecutive year. The Sun has a clear mission to build on its success as Britain’s most popular newspaper, engage with its customers across print and digital and secure a sustainable future for its journalism.

The company generated turnover for the year of £419,950,000 (2018 - £401,368,000) . The increase in turnover was primarily due to the net benefit related to the exit of the gaming partnership with TabCorp for Sun Bets. In addition, digital advertising revenue continued to show strong growth in the year, driven by improvements in digital traffic and engagement following targeted digital investments. The net impact of these factors was partly offset by the impact of challenging market conditions, with continuing industry-wide declines both in newspaper circulation in the popular segment and in print advertising as spends shifts to digital.

Circulation volume was down on prior year as the overall industry continues to contract, however The Sun outperformed the wider popular segment. Average circulation volume (ABC, paid-for national newspapers) declined by 8% for the daily edition (2018: decline of 8%) compared to 10% for the market (2018: decline of 11%), with the Sunday edition declining by 9% (2018: decline of 9%) against a market which was down 11% (2018: decline of 12%). As a result, The Sun continued to grow print market share to 35.5% (daily) and 33.3% (Sunday) (2018: 34.7% and 32.4% respectively), with the latter being at its highest level since launch in February 2012. The declines in circulation volume were partly offset by cover price increases on the daily edition from January 2019 and the Sunday edition from June 2018.

A significant milestone was achieved in the year, when Sun Savers surpassed 1,000,000 registered members. Launched in 2017, Sun Savers is an innovative loyalty scheme which rewards our readers by offering £5 cash back for every 28 codes collected from The Sun newspaper and scanned using the Sun Savers app. In addition, the scheme offers Family Value to Savers through money-saving advice and priority access to promotions and competitions with The Sun’s commercial partners. As well as driving reader engagement and incremental sale, Savers has created a pool of known Sun customers who interact digitally within the entire Sun universe.

News Group Newspapers Limited

Strategic Report for the year ended 30 June 2019 (continued)

Principal activities and business review (continued)

In digital, The Sun Online continued to outperform the Mail Online in terms of average monthly unique UK visitors between July 2018 and June 2019 (Comscore). In June 2019, The Sun Online reached a record of 33.1m unique UK visitors (June 2018: 29.7m) with 92% of its digital audience being on mobile device. In the same month, unique global visitors reached approximately 113m (internal data). Recognising the fact that the Sun is now the biggest newsbrand in the UK online as well as in print, The Sun Online was named Best News Website at the National Press Awards in 2018. The growth in audience and engagement, enabled by the availability of best in class editorial across our core content growth in audience and engagement, enabled by the availability of best in class editorial across our core content pillars (News, Football, Family Value and UK TV and Celebrity), was underpinned by synergies across News UK with Wireless and talkSPORT in particular assisting in the development of the Sun brand and vice versa, through sharing content and talent and driving audiences between brands.

The Sun's Betting & Gaming business had a good year. In June 2018, TabCorp Holdings, which had operated the Sun Bets business in association with News UK since August 2016, indicated that it wished to exit its agreement to operate Sun Bets. An agreement was subsequently reached in August 2018 under which a settlement figure of £39,500,000 would be paid to News UK by TabCorp as compensation for amounts arising in relation to the original agreement. The £39,500,000 cash was received by News UK in August 2018 and has been recognised within the company's turnover for the year ended 30 June 2019. Despite market wide changes in gaming legislation, Sun Bingo saw growth in registrations and wagering resulting in significant revenue growth, following product enhancements and continued focus on targeted marketing. In March, we launched Sun Racing, an affiliate app featuring horse racing content and links to odds offered by betting partners, with five partners successfully integrated into the product at launch.

There was an adjusted operating loss of £57,050,000 (2018 - £64,638,000) and an operating loss of £62,652,000 (2018 - £66,155,000). Excluding the impact of restructuring costs and one-off operating charges, EBITDA is £29,828,000 (2018 - £12,836,000). The company's EBITDA increased compared to the prior year mainly due to the settlement paid in relation to Sun Bets. In addition, targeted cost management in the light of industry-wide pressures in print circulation and print advertising, resulted in savings being realised across editorial, marketing, commercial and support functions. These were offset by an increase in production costs, attributable to higher newsprint prices, and investments in the company's products.

Key performance indicators

	2019	2018
	£ 000	£ 000
Turnover	419,950	401,368
EBITDA	(29,782)	(34,971)
EBITDA excluding restructuring expense and one-off operating charges	31,418	12,836

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)

	2019	2018
The Sun	1,382,000	1,507,000
The Sun on Sunday	1,164,000	1,275,000

News Group Newspapers Limited

Strategic Report for the year ended 30 June 2019 (continued)

Future Developments

Our priority is to sustain a market leading position in print by ensuring the proposition maintains its relevance for readers. The Sun will continue to invest and focus on investigative journalism and focusing on delivering the big stories which showcase its quality.

We continue to focus on print loyalty and remain committed to growing user engagement on Sun Savers through improved content and wider availability of 3rd party offers enabling Savers to spend their cash-back within the Savers app. Next year The Sun will roll out a new version of the app and website which will include opportunities for larger commercial partnerships and advertising within the platform, while introducing an improved customer user experience.

The Sun Online remains a major growth driver for the business. Our priorities lie in driving and monetising loyalty and increased on-platform engagement as well as in growing our e-commerce and branded content revenue streams. To deliver this, we have put in place a number of product, performance, editorial and audience development initiatives. Our digital ambition is supported by recent initiatives such as the launch of influencer marketing agency The Fifth, project Ozone and the News IQ platform, which are expected to continue supporting our digital revenue growth.

Brand revenue continues to be a key focus area and The Sun's aim is to deliver a best in class, profitable business that creates seamless opportunities for our readers to read, listen, play, watch and experience. During the year, a new contract was agreed with Playtech to continue operating the Sun Bingo website, including a 15-year extension and new product verticals. We see Sun Bingo driving strong acquisitions in the next 12 months and valuable engagement within the Sun Universe in the long term.

The coming year marks the 50th year of Britain's most popular paper. We look forward to celebrating The Sun's 50th birthday in November, along with its positive contribution over the years.

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 maximise 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 on advertisers' judgements as to the most effective use of their advertising budgets. Competition for advertising is based upon the reach of 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 and its overall performance, positively or negatively.

News Group Newspapers Limited

Strategic Report for the year ended 30 June 2019 (continued)

Principal risks and uncertainties (continued)

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 application 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.

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 being blocked for further supply until full settlement is received.

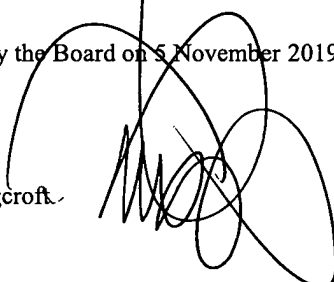
The majority of the company's transactions are in sterling, exposure to fluctuations in foreign currency exchange rates is therefore limited. Foreign currency is managed centrally by the News UK group, which takes into account the foreign currency transactions of the company.

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.

Following the allegations of voicemail interception and inappropriate payments to public officials there have been a number of civil cases brought against the company, most of which have been settled, or are in the process of being settled. A provision has been made at the balance sheet date in respect of all claims that have been filed up until the date of finalisation of the financial statements. In 2011 the company established a compensation scheme which was closed to new entrants in April 2013. A provision has been made at the balance sheet date for all applicants accepted to participate in this scheme. No provision has been made for letters of claim which have been received but where no formal court proceedings have been issued, or for individuals who have not contacted the company. It is not possible to estimate the liability for such additional claims given the information that is currently available to the company. If more claims are filed and additional information becomes available in the civil cases, the company will update the liability provision for such matters. A charge of £26,721,000 (2018 - £14,740,000) in respect of claimants legal fees and damages has been made in respect of this litigation, based on available information at the date of signing the financial statements. The final cost may or may not be significantly higher than the amounts recognised. This has been reported as a one off charge due to its size and incidence.

Approved by the Board on 5 November 2019 and signed on its behalf by:

C.C.S. Longcroft,
Director



News Group Newspapers Limited

Directors' Report

For the year ended 30 June 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

Going concern

News Corporation has committed to provide financial support until at least 31 March 2021 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 a collective facility, in which News Corp UK & Ireland Limited has provided multilateral guarantees of up to £20 million in respect of the bank overdrafts of subsidiary undertakings. This overdraft facility is 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 £67,952,000 (2018 - £91,189,000).

The directors do not recommend a dividend (2018 - £Nil).

Directors

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

R.M. Brooks

D.W. Dinsmore

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.

News Group Newspapers Limited

Directors' Report (continued)

For the year ended 30 June 2019

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 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' 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.

News Group Newspapers Limited

Directors' Report (continued) For the year ended 30 June 2019

Employees 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.

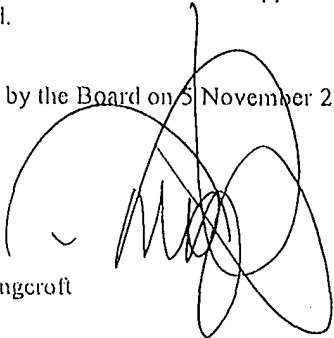
Disclosure of information to the auditor

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.

Auditor

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 5 November 2019 and signed on its behalf by:

A large, stylized handwritten signature in black ink, appearing to be 'C.C.S. Longcroft', is written over the text of the signature line.

C.C.S. Longcroft
Director

1 London Bridge Street
London
SE1 9GF

Independent Auditor's Report to the Members of News Group Newspapers Limited

Opinion

We have audited the financial statements of News Group Newspapers Limited for the year ended 30 June 2019 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and related notes 1 to 25 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 FRS 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 30 June 2019 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.

Emphasis of matter significant uncertainty over provisions and contingencies related to voicemail interception cases after allegations of voicemail interception and inappropriate payments to public officials and other related matters

We draw attention to the disclosures made in note 20 of the financial statements, concerning future expenditures for which reliable estimates cannot be made and other contingencies related to voicemail interception cases after allegations of voicemail interception and inappropriate payments to public officials and other related matters. The ultimate exposure of News Group Newspapers Limited in relation to these matters is subject to significant uncertainty, and the total amounts that will ultimately be determined to be payable by the company will be dependent on many factors, including the number of individuals making a claim against the company and any findings as to the extent of their loss, as well as the potential size of any civil or administrative fines or penalties. Consequently the actual cost may or may not be significantly higher than the amounts recognised in the financial statements and disclosed in note 20. Our opinion is not qualified in respect of this matter.

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.

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

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.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 6, 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.

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

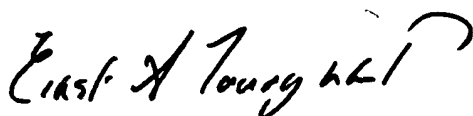
Auditor's responsibilities for the audit of the financial statements

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.

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.

Use of our report

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.



Richard Addison (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor, London

Date: 13 November 2019

News Group Newspapers Limited

Profit and Loss Account For the year ended 30 June 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	419,950	401,368
Cost of sales		<u>(254,761)</u>	<u>(247,143)</u>
Gross profit		165,189	154,225
Sales and marketing costs		(66,360)	(68,778)
Administrative expenses		(100,281)	(103,795)
Operating one-off charges	4	<u>(54,007)</u>	<u>(46,290)</u>
Adjusted operating loss	6	(55,459)	(64,638)
Restructuring expense	5	<u>(7,193)</u>	<u>(1,517)</u>
Operating loss	6	(62,652)	(66,155)
Interest payable and similar expenses	7	<u>(5,213)</u>	<u>(25,032)</u>
Loss before tax		(67,865)	(91,187)
Taxation	12	<u>(87)</u>	<u>(2)</u>
Loss for the financial year		<u><u>(67,952)</u></u>	<u><u>(91,189)</u></u>

All amounts relate to continuing operations.

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

Statement of Comprehensive Income For the year ended 30 June 2019

	2019 £ 000	2018 £ 000
Financial loss for the year	<u>(67,952)</u>	<u>(91,189)</u>
Total comprehensive loss for the year	<u><u>(67,952)</u></u>	<u><u>(91,189)</u></u>

The notes on pages 14 to 29 form part of these financial statements.

News Group Newspapers Limited
Registered number: 00679215

Balance Sheet
As at 30 June 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	13	125,266	147,595
Heritage assets	14	107	107
		<u>125,373</u>	<u>147,702</u>
Current assets			
Stocks	16	11,070	7,798
Debtors	17	720,148	694,249
Cash at bank and in hand	18	2,826	8,075
		<u>734,044</u>	<u>710,122</u>
Creditors: Amounts falling due within one year	19	<u>(343,483)</u>	<u>(276,738)</u>
Net current assets		<u>390,561</u>	<u>433,384</u>
Total assets less current liabilities		515,934	581,086
Provisions for liabilities	20	<u>(34,953)</u>	<u>(32,153)</u>
Net assets		<u>480,981</u>	<u>548,933</u>
Capital and reserves			
Called up share capital	21	2,625	2,625
Share premium reserve		653,308	653,308
Other reserves	22	111,074	139,074
Profit and loss account		<u>(286,026)</u>	<u>(246,074)</u>
Shareholder's funds		<u>480,981</u>	<u>548,933</u>

Approved and authorised by the Board on 5 November 2019 and signed on its behalf by:

C.C.S. Longcroft
Director

The notes on pages 14 to 29 form part of these financial statements.

News Group Newspapers Limited

Statement of Changes in Equity For the year ended 30 June 2019

	Note	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 2 July 2018		<u>2,625</u>	<u>653,308</u>	<u>139,074</u>	<u>(246,074)</u>	<u>548,933</u>
Loss for the financial year		<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,952)</u>	<u>(67,952)</u>
Total comprehensive loss for the year		-	-	-	(67,952)	(67,952)
Transfer in relation to intangible assets	22	<u>-</u>	<u>-</u>	<u>(28,000)</u>	<u>28,000</u>	<u>-</u>
At 30 June 2019		<u><u>2,625</u></u>	<u><u>653,308</u></u>	<u><u>111,074</u></u>	<u><u>(286,026)</u></u>	<u><u>480,981</u></u>

Statement of Changes in Equity For the year ended 1 July 2018

	Note	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 3 July 2017		<u>2,625</u>	<u>653,308</u>	<u>167,074</u>	<u>(182,885)</u>	<u>640,122</u>
Loss for the financial year		<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,189)</u>	<u>(91,189)</u>
Total comprehensive loss for the year		-	-	-	(91,189)	(91,189)
Transfer in relation to intangible assets	22	<u>-</u>	<u>-</u>	<u>(28,000)</u>	<u>28,000</u>	<u>-</u>
At 1 July 2018		<u><u>2,625</u></u>	<u><u>653,308</u></u>	<u><u>139,074</u></u>	<u><u>(246,074)</u></u>	<u><u>548,933</u></u>

The notes on pages 14 to 29 form part of these financial statements.

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019

1 General information

The company is a limited liability company incorporated in England and Wales under the Companies Act.

The address of its registered office is:

1 London Bridge Street

London

SE1 9GF

These financial statements were authorised for issue by the Board on 5 November 2019.

The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 1-4.

2 Accounting policies

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.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

The financial statements of News Group Newspapers Limited have been prepared on a going concern basis, under the historical cost convention.

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 30 June 2019 (52 weeks ended 1 July 2018). The financial statements are presented in pounds sterling which is the functional currency of the company, and rounded to the nearest £'000.

Consolidated financial statements

Under Section 401 of the Companies Act 2006 the company is exempt from the requirement to prepare and deliver group financial statements since it is a wholly owned subsidiary of News Corporation which is incorporated in the United States of America and prepares consolidated financial statements. The consolidated financial statements are available to the public and may be obtained from 1 London Bridge Street, London, SE1 9GF. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (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 paragraph 11.42 to 11.48A and paragraphs 12.26 to 12.27, 12.29 (a) & (b) and 12.29A, 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.

Turnover

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 turnover 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) 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.

News Group Newspapers Limited

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

2 Accounting policies (continued)

Going concern

News Corporation has committed to provide financial support until at least 31 March 2021 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 a collective facility, in which News Corp UK & Ireland Limited has provided multilateral guarantees of up to £20 million in respect of the bank overdrafts of subsidiary undertakings. This overdraft facility is 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.

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.

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.

One off operating charges and restructuring

One-off operating charges and restructuring expenses are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence. See notes 4 and 5 for more detail.

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.

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

2 Accounting policies (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 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 average 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 translation

Transactions in foreign currencies are initially recorded at the rate ruling in 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 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

Publishing rights and titles

Publishing rights and titles are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method over their estimated useful life of 20 years. Provision is made for any impairment.

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. No depreciation has been charged on these assets.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost and adjusted for any impairment provisions.

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

2 Accounting policies (continued)

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 fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial assets and liabilities

Financial assets and liabilities are held at fair value. Changes in fair value are included in the income statement. Financial assets and liabilities are derecognised on expiry or when all contractual rights and obligations are transferred.

Provisions

Provisions are recognised when the company has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Critical judgements in applying the company's accounting policies

Management are required to make judgements in the process of applying the company's accounting policies. The judgements that have the most significant effect on the amounts are recognised in the financial statements are discussed below.

a. Operating one-off costs and restructuring expense

The company has made a judgement to present some operating items separately on the face of the profit and loss account as operating one-off costs or restructuring expenses. These operating items include significant transactions such as legal fees relating to on-going legal issues, costs in relation to early termination of contract agreements and costs relating to the restructuring of the business. In making this judgement the company considers whether such items are material to the profit and loss account and if their separate disclosure is necessary for an appropriate understanding of the company's financial performance. These items have been presented on a separate line in the company's profit and loss account, above operating profit/(loss), and are further explained in notes 4 and 5.

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

2 Accounting policies (continued)

Critical judgements in applying the company's accounting policies (continued)

b. Amortisation of publishing rights and titles

Under FRS 102, the useful economic life was assessed as a period of 20 years, commencing on the acquisition date in 2003. The 20 year life is based on the directors' best estimate of the period over which significant economic benefit is likely to flow to the entity from these newspaper publishing rights and titles. The carrying value of publishing rights and titles at 2019 was £112,000,000 (2018 £140,000,000 which is referred to in note 13).

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. Provisions for on-going legal issues

There is uncertainty as to liabilities arising from the outcome or resolution of on going legal claims. Following the allegations of voicemail interception and inappropriate payments to public officials there have been a number of civil cases brought against the company, most of which have been settled or are in the process of being settled. A provision has been made at the balance sheet date in respect of all claims that have been filed up until the date of finalisation of the financial statements. In 2011 the company established a compensation scheme which was closed to new entrants in April 2013. A provision has been made at the balance sheet date for all applicants accepted to participate in this scheme. No provision has been made for letters of claim which have been received but where no formal court proceedings have been issued, or for individuals who have not contacted the company. It is not possible to estimate the liability for such additional claims given the information that is currently available to the company. Further details are given in note 20.

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 at 30 June 2019 was £4,995,000 (1 July 2018 - £5,616,000) and is included in creditors: amount falling due within one year.

d. Recoverability of deferred tax assets

The company makes estimates regarding the recoverability of deferred tax assets relating to losses based on forecasts of future taxable profits which are, by their nature, uncertain. The deferred tax asset recognised at 30 June 2019 was £Nil (2018 - £Nil).

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

3 Turnover

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

During the current year £8,772,000 (2018 - £9,278,000) of turnover related to advertising barter transactions.

4 Operating one-off charges

	2019 £000	2018 £000
Claimants' legal fees and damages (see note 20)	26,721	14,740
Costs in relation to UK newspaper matters	25,737	29,979
Costs in relation to the Management and Standards Committee	1,549	1,571
	<u>54,007</u>	<u>46,290</u>

There are a number of on-going legal claims against the company as a result of voicemail interception allegations. A charge of £26,721,000 (2018 - £14,740,000) in respect of claimants' legal fees and damages has been made based on available information at the date of signing the financial statements.

The company has incurred £25,737,000 (2018 - £29,979,000) of one off costs in regards to UK Newspaper matters. These include £25,129,000 (2018 - £29,480,000) of legal fees, and £608,000 (2018 - £499,000) of other UK newspaper matter costs.

The News UK group has incurred costs of £1,550,000 (2018 - £1,571,000) which are primarily legal and professional fees relating to the Management and Standards Committee (MSC). The MSC is not a statutory entity; therefore whilst it has independence from the company, costs relating to the MSC must be recognised in the financial statements of a statutory entity. As the costs relate exclusively to investigations in The News of the World, these costs have been borne by News Group Newspapers Limited.

5 Restructuring expense

	2019 £ 000	2018 £ 000
Cost of restructuring the company	<u>7,193</u>	<u>1,517</u>

During the year the company restructured its workforce to match the requirements of the business and had incurred £7,193,000 (2018 - £1,517,000) of redundancy costs relating to this restructure as at the balance sheet date.

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

6 Operating loss

The operating loss is stated after charging:

	2019	2018
	£ 000	£ 000
Amortisation of intangible assets	32,870	31,184
Operating lease rentals - plant and machinery	344	343
Foreign exchange losses/(gains)	283	(18)

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

7 Interest payable and similar expenses

	2019	2018
	£ 000	£ 000
Unwind of discount on demand notes (see note 24)	5,213	25,032

8 Auditor's remuneration

	2019	2018
	£ 000	£ 000
Audit of financial statements	280	262

9 Staff costs

	2019	2018
	£ 000	£ 000
Wages and salaries	40,179	37,761
Social security costs	4,595	4,276
Other pension costs	3,125	2,921
	47,899	44,958

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

	2019	2018
	No.	No.
Editorial	605	590

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019	2018
	£ 000	£ 000
Remuneration	<u>5,191</u>	<u>5,405</u>

No directors accrued benefits under company pension schemes (2018 - none).

The highest paid director received remuneration (excluding pension contributions) of £2,787,000 (2018 - £2,808,000).

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:

	2019	2018
	No.	No.
Received or were entitled to receive shares under long term incentive plans	<u>3</u>	<u>3</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.

News Group Newspapers Limited

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

11 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 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 30 September 2016 to 30 June 2019.

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 £3,125,000 (2018 - £2,921,000) all of which relates to the 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 asset or deficit is recognised in the financial statements of the group company that is legally responsible for the plan, which is News Corp UK & Ireland Limited. The News Corp UK & Ireland Limited net pension plan's asset as at 30 June 2019 is £852,000 (2018 - net asset of £3,233,000). The fair value of the plan's assets amounts to £410,051,000 (2018 - £398,586,000) whilst the benefit obligations amounts to £409,199,000 (2018 - £395,353,000).

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

12 Taxation

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

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	86	-
Foreign tax	1	2
Tax charge in the profit and loss account	<u>87</u>	<u>2</u>

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before tax	<u>(67,865)</u>	<u>(91,187)</u>
Corporation tax at standard rate	(12,895)	(17,326)
Expenses not deductible for tax purposes	2,198	1,047
Unrelieved foreign tax rates	1	2
Movement in deferred tax asset not recognised	(4,547)	(5,331)
Amortisation of publishing rights not deductible for tax purposes	5,320	5,320
Group relief and transfer pricing adjustments	<u>10,010</u>	<u>16,290</u>
Total tax charge	<u>87</u>	<u>2</u>

Factors that may affect future tax charges

The standard rate of UK Corporation tax reduced from 20% to 19% on 1 April 2017 and will reduce to 17% from 1 April 2020. The 2016 Budget announced that the rate would reduce to 17% from 1 April 2020, which was enacted on 16 September 2016. No subsequent changes have been announced in relation to UK corporation tax.

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

13 Intangible assets

	Internally generated software development costs £ 000	Publishing rights and titles £ 000	Total £ 000
Cost			
At 2 July 2018	17,655	560,000	577,655
Additions	10,542	-	10,542
Disposals	(1,505)	-	(1,505)
At 30 June 2019	26,692	560,000	586,692
Amortisation			
At 2 July 2018	10,060	420,000	430,060
Amortisation charge	4,870	28,000	32,870
Disposals	(1,504)	-	(1,504)
At 30 June 2019	13,426	448,000	461,426
Net book value			
At 30 June 2019	13,266	112,000	125,266
At 1 July 2018	7,595	140,000	147,595

Publishing rights and titles are amortised over their estimated useful life of 20 years.

The company also tests intangible assets annually for impairment or more frequently if there are indicators that they may be impaired. The recoverable amounts for the company's intangible assets are measured through review of a value in use calculation. Value in use is determined by discounting future expected cash flows based on management approved budgets and 3 year projections. These reflect management's current experience and future expectations of the markets in which the company operates.

The pre-tax discount rate used by the company in its impairment test is 11.9% (2018 - 11.9%). The growth rate used in the projections that are extrapolated beyond the formally approved budgets and forecasts prepared by management is -1% (2018 - 1% growth). This has resulted in an impairment charge of £Nil (2018 - £Nil) in the company.

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

14 Heritage Assets

	£ 000
Cost	
At 2 July 2018	107
At 30 June 2019	107
Net book value	
At 30 June 2019	107
At 1 July 2018	107

The collection of manuscripts, newspapers and other artefacts were independently valued at £107,000 in November 2003 by Sotheby's. 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 during 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 additions or disposals of heritage assets within the past 5 financial years.

15 Fixed asset investments

The company holds a 100% investment in the ordinary shares of News 2026 Limited, a dormant company registered in England and Wales. The carrying value of this investment is £Nil (2018 - £Nil).

16 Stocks

	2019 £ 000	2018 £ 000
Raw materials and consumables	11,070	7,798

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

17 Debtors

	2019 £ 000	2018 £ 000
Amounts owed by group undertakings	697,276	671,255
Corporation tax repayable	4,694	4,780
Other debtors	6,962	7,552
Prepayments and accrued income	11,216	10,662
	<u>720,148</u>	<u>694,249</u>

Included in amounts owed by group undertakings is £240 million of demand notes (see note 24). All other amounts owed by group undertakings relate to trading balances with no fixed repayment terms and no interest charged.

18 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash at bank	<u>2,826</u>	<u>8,075</u>

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

19 Creditors

	2019 £ 000	2018 £ 000
Due within one year		
Amounts owed to group undertakings	208,254	104,965
Other creditors	12,874	15,321
Financial liabilities (see note 24)	62,216	97,021
Accruals and deferred income	60,139	59,431
	<u>343,483</u>	<u>276,738</u>

All amounts owed to group undertakings relate to trading balances with no fixed repayment terms and no interest charged.

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

20 Provisions for liabilities and charges

	Legal proceedings £ 000	Other provisions £ 000	Total £ 000
At 2 July 2018	19,222	12,931	32,153
Charge in year (see note 4)	26,721	194	26,915
Utilised	(24,115)	-	(24,115)
At 30 June 2019	<u>21,828</u>	<u>13,125</u>	<u>34,953</u>

Provisions for legal claims

Following the allegations of voicemail interception and inappropriate payments to public officials there have been a number of civil cases brought against the company, most of which have been settled, or are in the process of being settled. A provision has been made at the balance sheet date in respect of all claims that have been filed up until the date of finalisation of the financial statements. In 2011 the company established a compensation scheme which was closed to new entrants in April 2013. A provision has been made at the balance sheet date for all applicants accepted to participate in this scheme. No provision has been made for letters of claim which have been received but where no formal court proceedings have been issued, or for individuals who have not contacted the company. It is not possible to estimate the liability for such additional claims given the information that is currently available to the company. If more claims are filed and additional becomes available in the civil cases, the company will update the liability provision for such matters. A charge of £26,721,000 (2018 - £14,740,000) in respect of claimants' legal fees and damages has been made in respect of this litigation, based on available information at the date of signing the financial statements. The final cost may or may not be significantly higher than the amounts recognised. This has been reported as a one off charge due to its size and incidence. This provision has not been discounted due to the uncertainty over the timing of the settlement of these cases.

Other provisions

Other provisions relate to potential employment tax liabilities which are currently under discussion with HMRC.

21 Share capital

Shares classified as equity

Authorised, allotted, called up and fully paid

	2019		2018	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>2,625,001</u>	<u>2,625</u>	<u>2,625,001</u>	<u>2,625</u>

News Group Newspapers Limited

Notes to the Financial Statements For the year ended 30 June 2019 (continued)

22 Other reserves

The other reserves brought forward relate to the profit on disposal of publishing rights of The Sun on 20 June 2003 to News 2026 Limited, the company's subsidiary. The profits were regarded as unrealised since the consideration received was in the form of assets for which the directors could not assess the ultimate cash realisation with reasonable clarity.

Annual amortisation of the publishing rights of £28,000,000 is transferred to other reserves from the profit and loss account each year.

23 Operating lease commitments

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

24 Funding

In November 2016, News Group Newspapers Limited entered into an arrangement whereby it would receive £240 million from News Corp UK & Ireland Limited in exchange for the rights to a portion of its print advertising revenue from 1 July 2018 to 30 June 2021. At November 2016, £240 million represented the forecast discounted cash flow across the payment period, at a rate of 10.5%.

The carried forward financial liability in Note 19 represents the fair value of the remaining portion of print advertising revenue over the period 1 July 2018 to 30 June 2021. Movements in the value of the financial liability are reflected in Interest payable and similar expenses (note 7).

25 Parent and ultimate parent undertaking

The company's immediate parent company is News Corp UK & Ireland Limited, a company incorporated in England.

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.