NEWS CORP
Form 10-Q
May 10, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2013**

or

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**

Commission file number 001-32352

NEWS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**26-0075658**
(State or Other Jurisdiction	**(I.R.S. Employer**

of Incorporation or Organization)	**Identification No.)**
1211 Avenue of the Americas, New York, New York	**10036**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code (212) 852-7000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of May 6, 2013, 1,516,022,059 shares of Class A Common Stock, par value $0.01 per share, and 798,520,953 shares of Class B Common Stock, par value $0.01 per share, were outstanding.

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NEWS CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	For the three months ended March 31,		For the nine months ended March 31,	
	2013	2012	2013	2012
Revenues	$ 9,538	$ 8,402	$ 27,099	$ 25,336
Operating expenses	(6,114)	(5,216)	(16,831)	(15,552)
Selling, general and administrative	(1,705)	(1,580)	(4,981)	(4,721)
Depreciation and amortization	(357)	(294)	(967)	(869)
Impairment and restructuring charges	(56)	(27)	(273)	(154)
Equity earnings of affiliates	157	204	521	467
Interest expense, net	(276)	(258)	(809)	(773)
Interest income	32	26	100	91
Other, net	2,431	27	5,206	22
Income before income tax expense	3,650	1,284	9,065	3,847
Income tax expense	(741)	(281)	(1,402)	(931)
Net Income	2,909	1,003	7,663	2,916
Less: Net income attributable to noncontrolling interests	(55)	(66)	(195)	(184)
Net income attributable to News Corporation stockholders	$ 2,854	$ 937	$ 7,468	$ 2,732
Weighted average shares:				
Basic	2,324	2,468	2,344	2,527
Diluted	2,330	2,475	2,348	2,534
Net income attributable to News Corporation stockholders per share:				
Basic	$ 1.23	$ 0.38	$ 3.19	$ 1.08
Diluted	$ 1.22	$ 0.38	$ 3.18	$ 1.08

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN MILLIONS)

	For the three months ended March 31,		For the nine months ended March 31,	
	2013	2012	2013	2012
Net income	$ 2,909	$ 1,003	$ 7,663	$ 2,916
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(433)	361	(152)	(659)
Unrealized holding (losses) gains on securities	(27)	53	(25)	(30)
Benefit plan adjustments	13		41	18
Other comprehensive (loss) income	(447)	414	(136)	(671)
Comprehensive income	2,462	1,417	7,527	2,245
Less: Net income attributable to noncontrolling interests[a]	(55)	(66)	(195)	(184)
Less: Other comprehensive income attributable to noncontrolling interests			(2)	4
Comprehensive income attributable to News Corporation stockholders	$ 2,407	$ 1,351	$ 7,330	$ 2,065

[a] Net income attributable to noncontrolling interests includes $26 million and $21 million for the three months ended March 31, 2013 and 2012, respectively, and $74 million and $55 million for the nine months ended March 31, 2013 and 2012, respectively, relating to redeemable noncontrolling interests.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	As of March 31, 2013 (unaudited)	As of June 30, 2012 (audited)
Assets:		
Current assets:		
Cash and cash equivalents	$ 9,324	$ 9,626
Receivables, net	7,136	6,608
Inventories, net	3,476	2,595
Other	857	619
Total current assets	20,793	19,448
Non-current assets:		
Receivables	431	387
Investments	6,622	4,968
Inventories, net	5,002	4,596
Property, plant and equipment, net	5,984	5,814
Intangible assets, net	8,331	7,133
Goodwill	20,139	13,174
Other non-current assets	1,188	1,143
Total assets	$ 68,490	$ 56,663
Liabilities and Equity:		
Current liabilities:		
Borrowings	$ 157	$ 273
Accounts payable, accrued expenses and other current liabilities	6,030	5,405
Participations, residuals and royalties payable	1,915	1,691
Program rights payable	1,776	1,368
Deferred revenue	1,175	880
Total current liabilities	11,053	9,617
Non-current liabilities:		
Borrowings	16,317	15,182
Other liabilities	4,279	3,650
Deferred income taxes	2,947	2,388
Redeemable noncontrolling interests	645	641
Commitments and contingencies		
Equity:		
Class A common stock[(a)]	15	15
Class B common stock[(b)]	8	8
Additional paid-in capital	15,902	16,140
Retained earnings and accumulated other comprehensive income	14,139	8,521
Total News Corporation stockholders equity	30,064	24,684
Noncontrolling interests	3,185	501

Total equity		33,249		25,185
Total liabilities and equity	$	68,490	$	56,663

(a) **Class A common stock,** $0.01 par value per share, 6,000,000,000 shares authorized, 1,521,003,250 shares and 1,584,519,372 shares issued and outstanding, net of 1,775,907,212 and 1,775,983,637 treasury shares at par at March 31, 2013 and June 30, 2012, respectively.

(b) **Class B common stock,** $0.01 par value per share, 3,000,000,000 shares authorized, 798,520,953 shares issued and outstanding, net of 313,721,702 treasury shares at par at March 31, 2013 and June 30, 2012, respectively.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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NEWS CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

	For the nine months ended March 31, 2013	For the nine months ended March 31, 2012
Operating activities:		
Net income	$ 7,663	$ 2,916
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	967	869
Amortization of cable distribution investments	67	69
Equity earnings of affiliates	(521)	(467)
Cash distributions received from affiliates	311	313
Impairment charges	35	10
Other, net	(5,206)	(22)
Change in operating assets and liabilities, net of acquisitions:		
Receivables and other assets	(295)	(551)
Inventories, net	(1,043)	(577)
Accounts payable and other liabilities	785	161
Net cash provided by operating activities	2,763	2,721
Investing activities:		
Property, plant and equipment, net of acquisitions	(627)	(651)
Acquisitions, net of cash acquired	(2,746)	(532)
Investments in equity affiliates	(618)	(14)
Other investments	(63)	(198)
Proceeds from dispositions	2,670	408
Net cash used in investing activities	(1,384)	(987)
Financing activities:		
Borrowings	1,277	
Repayment of borrowings	(989)	(32)
Issuance of shares	170	87
Repurchase of shares	(1,834)	(3,294)
Dividends paid	(384)	(323)
Purchase of subsidiary shares from noncontrolling interests	(9)	
Other, net	70	
Net cash used in financing activities	(1,699)	(3,562)
Net decrease in cash and cash equivalents	(320)	(1,828)
Cash and cash equivalents, beginning of year	9,626	12,680
Exchange movement on opening cash balance	18	(166)
Cash and cash equivalents, end of year	$ 9,324	$ 10,686

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

News Corporation, a Delaware corporation, with its subsidiaries (together, News Corporation or the Company), is a diversified global media company, which manages and reports its businesses in six segments: Cable Network Programming, Filmed Entertainment, Television, Direct Broadcast Satellite Television, Publishing and Other.

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair presentation have been reflected in these unaudited consolidated financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2013.

These interim unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2012 as filed with the Securities and Exchange Commission (SEC) on August 14, 2012 and as amended on October 1, 2012 (the 2012 Form 10-K).

The consolidated financial statements include the accounts of News Corporation and its subsidiaries. Intercompany transactions and balances have been eliminated. Equity investments in which the Company exercises significant influence but does not exercise control and is not the primary beneficiary are accounted for using the equity method. Investments in which the Company is not able to exercise significant influence over the investee are designated as available-for-sale if readily determinable fair values are available. If an investment s fair value is not readily determinable, the Company accounts for its investment under the cost method.

The Company evaluates whether a News Corporation entity or interest is a variable interest entity (VIE) and whether the Company is the primary beneficiary. Consolidation is required if both of these criteria are met. The Company s majority owned subsidiary, Sky Deutschland AG (Sky Deutschland) is considered a VIE. (See Note 6 Investments)

The Company owns a 34% interest in Hulu LLC (Hulu) which is considered a VIE. The Company s risk of loss related to this investment is $115 million, the portion of Hulu s debt that it guarantees. (See Note 13 Commitments and Contingencies)

The Company also has an investment in a VIE that it consolidates; however, the assets, liabilities, net income and cash flows attributable to this entity were not material to the Company in any of the periods presented.

The preparation of consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

The Company s fiscal year ends on the Sunday closest to June 30. Fiscal 2013 and fiscal 2012 include 52 weeks. All references to March 31, 2013 and March 31, 2012 relate to the three and nine months ended March 31, 2013 and April 1, 2012, respectively. For convenience purposes, the Company continues to date its financial statements as of March 31.

Certain fiscal 2012 amounts have been reclassified to conform to the fiscal 2013 presentation.

Recently Adopted and Recently Issued Accounting Guidance

Adopted

In the first quarter of fiscal 2013, the Company adopted Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, (ASU 2011-05) which requires an entity to present total comprehensive income, the components of net income and the components of other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The adoption of ASU 2011-05 resulted in two separate but consecutive statements.

In the first quarter of fiscal 2013, the Company adopted ASU 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment (ASU 2011-08). Under ASU 2011-08 the Company has the option to make a qualitative assessment of

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

whether it is more likely than not that a reporting unit s fair value is less than its carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that a reporting unit s fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary.

In the second quarter of fiscal 2013, the Company adopted ASU 2012-07, Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs (ASU 2012-07), which would have the effect of incorporating into the fair value measurement used for the impairment analysis of unamortized film costs only information that is known or knowable as of the measurement date, consistent with how information is incorporated into other fair value measurements. ASU 2012-07 is effective for the Company for impairment assessments performed on or after December 15, 2012. Prospective application of ASU 2012-07 had no effect on the consolidated financial statements of the Company for the current periods presented.

Issued

In July 2012, the Financial Accounting Standards Board (FASB) issued ASU 2012-02, Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02), which permits an entity to make a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit s indefinite-lived intangible asset is less than the asset s carrying value before applying a quantitative impairment assessment. If it is determined through the qualitative assessment that the fair value of a reporting unit s indefinite-lived intangible asset is more likely than not greater than the asset s carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. ASU 2012-02 is effective for the Company for annual and interim indefinite-lived intangible asset impairment tests performed beginning July 1, 2013, however, early adoption is permitted. The Company is currently evaluating the impact ASU 2012-02 will have on its consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02), which requires the Company to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, it requires the Company to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, the Company is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 is effective for the Company for interim reporting periods beginning July 1, 2013, however, early adoption is permitted. The Company is currently evaluating the impact ASU 2013-02 will have on its consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (ASU 2013-04). The objective of ASU 2013-04 is to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation (within the scope of this guidance) is fixed at the reporting date. Examples of obligations within the scope of ASU 2013-04 include debt arrangements, other contractual obligations, and settled litigation and judicial rulings. ASU 2013-04 is effective for the Company for interim reporting periods beginning July 1, 2014, however, early adoption is permitted. The Company is currently evaluating the impact ASU 2013-04 will have on its consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity, (ASU 2013-05). The objective of ASU 2013-05 is to resolve the diversity in practice regarding the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets or a business within a foreign entity. ASU 2013-05 is effective for the Company for interim reporting periods beginning July 1, 2014, however, early adoption is permitted. The Company is currently evaluating the impact ASU 2013-05 will have on its consolidated financial statements.

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

Fiscal 2013

Acquisitions

During the nine months ended March 31, 2013, the Company completed a number of acquisitions as more fully described below. All of the Company s acquisitions were accounted for under Accounting Standards Codification (ASC) 805, Business Combinations (ASC 805), which requires, among other things, that an acquirer (i) remeasure any previously held equity interest in an acquiree at its acquisition date fair value and recognize any resulting gains or losses in earnings and (ii) record any non-controlling interests in an acquiree at their acquisition date fair values. Accordingly, several of the transactions described below resulted in the recognition of remeasurement gains since the Company acquired control of an acquiree in stages. Further, other transactions described below involved the Company acquiring control with an ownership stake of less than 100%. In those instances, the allocation of the excess purchase price reflects 100% of the fair value of the acquiree with the non-controlling interests recorded at fair value.

The below acquisitions all support the Company s strategic priority of increasing its brand presence and reach in key international and domestic markets, acquiring greater control of investments that complement its portfolio of businesses and creating new pay-TV sports franchises. For those acquisitions where the allocation of the excess purchase price is not final, the amounts allocated to intangibles and goodwill, the estimates of useful lives and the related amortization expense are subject to change pending the completion of final valuations of certain assets and liabilities. A change in the purchase price allocations and any estimates of useful lives could result in a change in the value allocated to the intangible assets that could impact future amortization expense.

For the nine months ended March 31, 2013, the below acquisitions contributed $935 million in revenues and $85 million in Segment operating income in the Company s unaudited consolidated results of operations.

Thomas Nelson

In July 2012, the Company acquired Thomas Nelson, Inc. (Thomas Nelson), one of the leading Christian book publishers in the U.S., for approximately $200 million in cash. The acquisition of Thomas Nelson increased the Company s presence and reach in the Christian publishing market. In accordance with ASC 350, Intangibles Goodwill and Other, (ASC 350) the excess purchase price of approximately $160 million has been preliminarily allocated as follows: $65 million to publishing rights with a useful life of 20 years, $25 million to imprints which have an indefinite life and approximately $70 million representing the goodwill on the transaction.

Eredivisie Media & Marketing

In November 2012, the Company acquired a controlling 51% ownership stake in Eredivisie Media & Marketing CV (EMM) for approximately $350 million, of which $325 million was cash and $25 million was contingent consideration. EMM is a media company that holds the collective media and sponsorship rights of the Dutch Premier League. The remaining 49% of EMM, which is owned by the Dutch Premier League and the global TV production company Endemol, has been recorded at its acquisition date fair value. In accordance with ASC 350, the excess purchase price, based on a valuation of 100% of EMM, of approximately $660 million has been preliminarily allocated as follows: $275 million to amortizable intangible assets, primarily customer relationships, with useful lives ranging from 6 to 20 years, $45 million to trade names which have an indefinite life and approximately $340 million representing the goodwill on the transaction.

Fox Sports Asia (formerly ESPN Star Sports)

In November 2012, the Company acquired the remaining 50% interest in Fox Sports Asia (formerly ESPN STAR Sports) that it did not already own for approximately $220 million, net of cash acquired. Fox Sports Asia is a leading sports broadcaster in Asia and the Company now, through its wholly owned subsidiaries, owns 100% of Fox Sports Asia. The carrying amount of the Company s previously held equity interest in Fox Sports Asia was revalued to fair value as of the acquisition date, resulting in a non-taxable gain of approximately $174 million which was included in Other, net in the unaudited consolidated statements of operations for the nine months ended March 31, 2013. In accordance with ASC 350, the aggregate excess purchase price, including the revalued previously held investment, of approximately $595 million has been preliminarily allocated as follows: $120 million to amortizable intangible assets, primarily MSO agreements, with useful lives ranging from 8 to 15 years and approximately $475 million representing the goodwill on the transaction.

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Consolidated Media Holdings

In November 2012, the Company acquired Consolidated Media Holdings Ltd. (CMH), a media investment company that operates in Australia, for approximately $2 billion in cash and assumed debt of approximately $235 million. CMH owned a 25% interest in Foxtel through its 50% interest in FOX SPORTS Australia. The remaining 50% of Foxtel is owned by Telstra Corporation Limited, one of Australia s leading telecommunications companies. The acquisition doubled the Company s stakes in FOX SPORTS Australia and Foxtel to 100% and 50%, respectively. Accordingly, the results of FOX SPORTS Australia are included in the Company s unaudited consolidated results of operations beginning in November 2012. Prior to November 2012, the Company accounted for its investment in FOX SPORTS Australia under the equity method of accounting. The Company s investment in Foxtel continues to be accounted for under the equity method of accounting.

The carrying amount of the Company s previously held equity interest in FOX SPORTS Australia, through which the Company held its indirect 25% interest in Foxtel, was revalued to fair value as of the acquisition date, resulting in a non-taxable gain of approximately $1.2 billion which was included in Other, net in the unaudited consolidated statements of operations for the nine months ended March 31, 2013. The fair value of our previously held equity interest of $1.6 billion was determined using an income approach (discounted cash flow analysis) adjusted to remove an assumed control premium. Significant unobservable inputs utilized in the income approach valuation method were discount rates ranging from 9.5% to 10.5%, based on weighted average cost of capital for FOX SPORTS Australia and Foxtel using the capital asset pricing model, and long-term growth rates of approximately 2.5%, reflecting our assessment of the long-term inflation rate for Australia. In accordance with ASC 350, the excess purchase price, including the revalued previously held investment, of approximately $3.1 billion has been preliminarily allocated as follows: $1.8 billion to equity method investments, approximately $685 million to amortizable intangible assets, primarily customer relationships, with useful lives ranging from 15 to 25 years, $100 million to trade names which have an indefinite life and approximately $515 million representing the goodwill on the transaction.

SportsTime Ohio

In December 2012, the Company acquired SportsTime Ohio, a Regional Sports Network (RSN) serving the Cleveland, Ohio market, for an estimated total purchase price, including post-closing costs, of approximately $285 million, of which $135 million was in cash. The balance of the purchase price represents the fair value of deferred payments and payments that are contingent upon achievement of certain performance objectives. In accordance with ASC 350, the excess purchase price of approximately $275 million has been preliminarily allocated as follows: $135 million to amortizable intangible assets, primarily MSO agreements, with useful lives ranging from 8 to 20 years and approximately $140 million representing the goodwill on the transaction.

Sky Deutschland

During the third quarter of fiscal 2013, the Company obtained the power to control Sky Deutschland through the acquisition of an additional 5% ownership interest that increased the Company s ownership interest to 55%. The remaining 45% non-controlling interests in Sky Deutschland have been recorded at fair value, based on the closing price of its shares on the Frankfurt Stock Exchange on the date control was acquired. The carrying amount of the Company s previously held equity interest in Sky Deutschland was revalued to fair value as of the acquisition date, resulting in a gain of approximately $2.1 billion which was included in Other, net in the unaudited consolidated statements of operations for the three and nine months ended March 31, 2013. In accordance with ASC 350, the aggregate excess purchase price, including the revalued previously held investment, of $5.4 billion has been preliminarily allocated to goodwill and is not being amortized. Due to the limited time since the acquisition date the initial accounting for the business combination is incomplete at this time. As a result, we are unable to provide amounts recognized as of the acquisition date for major classes of assets. The results of Sky Deutschland are included in the Company s unaudited consolidated results of operations beginning in January 2013. (See Note 6 Investments)

Other

In July 2011, the Company announced that it would close its publication, *The News of the World*, after allegations of phone hacking and payments to public officials. As a result of management s approval of the shutdown of *The News of the World*, the Company has reorganized portions of the U.K. newspaper business and has recorded restructuring charges in fiscal 2013 and 2012 primarily for termination benefits and certain organizational restructuring at the U.K. newspapers. (See Note 4 Restructuring Programs) The Company is subject to several ongoing investigations by U.K. and U.S. regulators and governmental authorities relating to phone hacking, illegal data access and inappropriate payments to officials at *The News of the World* and *The Sun* and related matters (the U.K. Newspaper Matters). The Company is cooperating with these investigations. In addition, the Company has admitted liability in many civil cases related to the phone hacking allegations and has settled many cases. The Company created an independently-chaired Management & Standards Committee (the MSC), which operates independently from NI Group Limited (News International) and

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

has full authority to ensure cooperation with all relevant investigations and inquiries into the U.K. Newspaper Matters and all other related issues. The MSC conducts its own internal investigation where appropriate. The MSC has an independent Chairman, Lord Grabiner QC, and reports directly to Gerson Zweifach, Senior Executive Vice President and Group General Counsel of the Company. Mr. Zweifach reports to the independent members of the Board of Directors (the Board) through their representative Viet Dinh, an independent director and Chairman of the Company s Nominating and Corporate Governance Committee. The independent directors of the Board have retained independent outside counsel and are actively engaged in these matters. The MSC conducted an internal investigation of the three other titles at NI Group Limited (News International) and engaged independent outside counsel to advise it on these investigations and all other matters it handles. As a result of these matters, News International has instituted governance reforms and issued certain enhanced policies to its employees. (See Note 13 Commitments and Contingencies for a summary of the costs of *The News of the World* Investigations and Litigation.)

In May 2012, the Company renewed its existing FOX affiliation agreement with a major FOX affiliate group (Network Affiliate). As part of the transaction, the Company received a one-time payment of $25 million and an option to buy Network Affiliate s stations in any three of four markets or, if such option is not exercised, receive an additional $25 million cash payment. Further, Network Affiliate has an option to buy the Company s Baltimore station. The Company decided not to exercise its option and the option expired in March 2013. As a result, the Company received the additional $25 million cash payment in April 2013. The Company is amortizing the $50 million received from the Network Affiliate over the term of the affiliation agreement. Network Affiliate exercised its option to purchase the Baltimore station and the Company recognized a loss of approximately $90 million which was included in Other, net in the unaudited consolidated statements of operations for the nine months ended March 31, 2013.

On June 28, 2012, the Company announced its intent to pursue the separation of its business into two separate independent public companies, one of which will hold the Company s global media and entertainment businesses and the other, New Newscorp LLC (New News Corporation), which will hold the businesses comprising the Company s newspapers, information services and integrated marketing services, digital real estate services, book publishing, digital education and sports programming and pay-TV distribution in Australia. The Company has announced that it intends to change its name to Twenty-First Century Fox, Inc. (21st Century Fox) after the separation, subject to stockholder approval and other conditions to the separation. On December 4, 2012, the Company s board of directors authorized management to proceed with the proposed distribution, subject to the satisfaction or waiver of certain conditions and the board of directors ongoing consideration of the transaction and its final approval, which may not be granted.

To effect the distribution, the Company will first undertake an internal reorganization. Following the internal reorganization, the Company will distribute all of the shares of New News Corporation s common stock to its stockholders on a pro rata basis. After the distribution, the Company will not own any equity interest in New News Corporation, and New News Corporation will operate independently from the Company.

In connection with the separation, on December 21, 2012, New News Corporation filed with the SEC an initial Form 10 registration statement, which has been amended, and, on April 30, 2013, the Company filed with the SEC a definitive proxy statement on Schedule 14A. The Company s stockholders will not be required to vote to approve the distribution. However, in order to effectuate the distribution in the manner discussed in the Form 10 registration statement, the Company will be required to amend its Restated Certificate of Incorporation, and the Company will hold a Special Meeting on June 11, 2013 in connection therewith. The Company has also applied for certain regulatory approvals and tax rulings required to enable the separation to be completed as described. There can be no assurances given that the separation of the Company s businesses as described will occur.

At the end of fiscal 2012, the Company identified certain businesses as held for sale and reclassified the net assets to other current assets. During the nine months ended March 31, 2013, as a result of revised projections, the Company recorded a non-cash impairment charge of $35 million related to its assets held for sale to reduce the carrying value of these assets to fair value less cost to sell. The assets, liabilities and cash flows attributable to these businesses were not material to the Company in any of the periods presented and, accordingly, have not been presented separately.

Fiscal 2012

Acquisitions

In December 2011, the Company acquired the 67% equity interest it did not already own in Fox Pan American Sports LLC (FPAS) for approximately $400 million. FPAS, an international sports programming and production entity, which owns and operates Fox Sports Latin America network, a Spanish and Portuguese-language sports network distributed to subscribers in certain Caribbean and

NEWS CORPORATION

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Central and South American nations, and partially through its ownership in FPAS, a 53% interest in Fox Deportes, a Spanish-language sports programming service distributed in the United States. As a result of this transaction, the Company now owns 100% of FPAS and Fox Deportes. Accordingly, the Company changed its accounting for FPAS from an equity method investment to a consolidated subsidiary beginning in December 2011. The acquisition of FPAS supports the Company s strategic priority of increasing its brand presence and reach in key international markets.

The FPAS acquisition was accounted for in accordance with ASC 805. The carrying amount of the Company s previously held equity interest in FPAS was revalued to fair value at the acquisition date, resulting in a non-taxable gain of approximately $158 million which was included in Other, net in the unaudited consolidated statements of operations for the nine months ended March 31, 2012.

The Company finalized the purchase accounting for FPAS in the second quarter of fiscal 2013 with approximately $280 million allocated to finite-lived intangible assets with useful lives ranging from 5 to 15 years and approximately $320 million allocated to goodwill which will not be amortized. The goodwill reflects the synergies and increased market penetration expected from combining the operations of FPAS and the Company.

In May 2012, the Company acquired an approximate 23% interest in Latin America Pay Television (LAPTV), a partnership that distributes premium and basic television channels in Latin America, for approximately $64 million in cash. As a result of this transaction, the Company increased its interest in LAPTV to approximately 78% from the 55% it owned as of June 30, 2011.

Disposals

In July 2011, the Company sold its majority interest in its outdoor advertising businesses in Russia and Romania (News Outdoor Russia) for cash consideration of approximately $360 million. In connection with the sale, the Company repaid $32 million of News Outdoor Russia debt. (See Note 9 Borrowings) The Company recorded a gain related to the sale of this business, which was included in Other, net in the unaudited consolidated statements of operations for the nine months ended March 31, 2012. The gain on the sale and the net income, assets, liabilities and cash flow attributable to the News Outdoor Russia operations were not material to the Company in any of the periods presented and, accordingly, have not been presented separately.

In May 2012, the Company sold its former U.K. newspaper division headquarters located in East London, which it relocated from in August 2010, for consideration of approximately £150 million (approximately $235 million), of which £25 million (approximately $39 million) was received on closing of the sale. The remaining £125 million (approximately $196 million) is in the form of a secured note and the Company will receive £25 million (approximately $39 million) on May 31, 2013, and annually thereafter until May 31, 2017. The Company recorded a loss of approximately $22 million on this transaction, which was included in Other, net in the consolidated statements of operations for the fiscal year ended June 30, 2012.

Other

In fiscal 2012, the Company entered into an asset acquisition agreement with a third party in exchange for a noncontrolling ownership interest in one of the Company s majority-owned RSN. The noncontrolling shareholder has a put option related to its ownership interest that is exercisable beginning in fiscal 2015. Since redemption of the noncontrolling interest is outside of the control of the Company, the Company has accounted for this put option in accordance with ASC 480-10-S99-3A, Distinguishing Liabilities from Equity (ASC 480-10-S99-3A), and has recorded the put option at its fair value as a redeemable noncontrolling interest in the consolidated balance sheets.

NOTE 3. RECEIVABLES, NET

Receivables are presented net of an allowance for returns and doubtful accounts, which is an estimate of amounts that may not be collectible. In determining the allowance for returns, management analyzes historical returns, current economic trends and changes in customer demand and acceptance of the Company s products. Based on this information, management reserves a percentage of each dollar of product sales that provide the customer with the right of return. The allowance for doubtful accounts is estimated based on historical experience, receivable aging, current economic trends and specific identification of certain receivables that are at risk of not being paid.

The Company has receivables with original maturities greater than one year in duration principally related to the Company s sale of program rights in the television syndication markets within the Filmed Entertainment segment. Allowances for credit losses are established against these non-current receivables as necessary. As of March 31, 2013 and June 30, 2012, these allowances were not material.

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Receivables, net consisted of:

	As of March 31, 2013	As of June 30, 2012
	(in millions)	
Total receivables	$ 8,736	$ 7,981
Allowances for returns and doubtful accounts	(1,169)	(986)
Total receivables, net	7,567	6,995
Less: current receivables, net	(7,136)	(6,608)
Non-current receivables, net	$ 431	$ 387

NOTE 4. RESTRUCTURING PROGRAMS

Fiscal 2013

The Company recorded restructuring charges of $56 million and $238 million in the three and nine months ended March 31, 2013, respectively, of which $52 million and $227 million, respectively, related to the newspaper businesses. The restructuring charges primarily relate to the reorganization of the Australian newspaper businesses which was announced at the end of fiscal 2012 and the continued reorganization of the U.K. newspaper business. The restructuring charges recorded are primarily for termination benefits in Australia and contract termination payments in the U.K.

Fiscal 2012

The Company recorded restructuring charges of $17 million and $144 million in the three and nine months ended March 31, 2012, respectively, of which $12 million and $132 million, respectively, related to the newspaper businesses. The Company reorganized portions of the newspaper businesses and recorded restructuring charges primarily for termination benefits as a result of the U.K. Newspaper Matters, certain organizational restructurings at other newspapers and the shutdown of a regional newspaper. As a result of the shutdown of the regional newspaper, the Company wrote-off associated intangible assets of approximately $10 million in the three and nine months ended March 31, 2012.

Changes in the program liabilities were as follows:

	For the three months ended March 31,							
	2013				2012			
	One time termination benefits	Facility related costs	Other costs	Total	One time termination benefits	Facility related costs	Other costs	Total
	(in millions)							
Beginning of period	$ 38	$ 175	$ 3	$ 216	$ 59	$ 195	$	$ 254
Additions	35	3	18	56	8	3	6	17
Payments	(38)	(8)	(16)	(62)	(29)	(9)	(1)	(39)
Other	(1)		(4)	(5)			(4)	(4)

End of period	$ 34	$ 170	$ 1	$ 205	$ 38	$ 189	$ 1	$ 228

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	For the nine months ended March 31,							
	2013				2012			
	One time termination benefits	Facility related costs	Other costs	Total	One time termination benefits	Facility related costs	Other costs	Total
	(in millions)							
Beginning of period	$ 64	$ 185	$	$ 249	$ 27	$ 207	$	$ 234
Additions	153	8	77	238	110	9	25	144
Payments	(182)	(23)	(68)	(273)	(94)	(27)	(13)	(134)
Other	(1)		(8)	(9)	(5)		(11)	(16)
End of period	$ 34	$ 170	$ 1	$ 205	$ 38	$ 189	$ 1	$ 228

The Company expects to record an additional $71 million of restructuring charges, principally related to accretion on facility termination obligations through fiscal 2021 and additional termination benefits related to the newspaper businesses. As of March 31, 2013, $65 million of the Company s accrued restructuring liability was included in current liabilities and the balance was included in long-term other liabilities. Amounts included in other liabilities primarily relate to facility termination obligations, which are expected to be paid through fiscal 2021.