NEWS CORP
Form 10-Q
May 10, 2012
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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, 2012**

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 4, 2012, 1,623,066,699 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,	
	2012	2011	2012	2011
Revenues	$ 8,402	$ 8,256	$ 25,336	$ 24,443
Operating expenses	(5,216)	(5,322)	(15,552)	(15,470)
Selling, general and administrative	(1,580)	(1,588)	(4,721)	(4,638)
Depreciation and amortization	(294)	(283)	(869)	(837)
Impairment and restructuring charges	(27)	(3)	(154)	(285)
Equity earnings of affiliates	204	111	467	272
Interest expense, net	(258)	(244)	(773)	(706)
Interest income	26	31	91	85
Other, net	27	(19)	22	(41)
Income before income tax expense	1,284	939	3,847	2,823
Income tax expense	(281)	(257)	(931)	(657)
Net income	1,003	682	2,916	2,166
Less: Net income attributable to noncontrolling interests	(66)	(43)	(184)	(110)
Net income attributable to News Corporation stockholders	$ 937	$ 639	$ 2,732	$ 2,056
Weighted average shares:				
Basic	2,468	2,626	2,527	2,624
Diluted	2,475	2,631	2,534	2,628
Net income attributable to News Corporation stockholders per share:				
Basic	$ 0.38	$ 0.24	$ 1.08	$ 0.78
Diluted	$ 0.38	$ 0.24	$ 1.08	$ 0.78

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)

	At March 31, 2012 (unaudited)	At June 30, 2011 (audited)
Assets:		
Current assets:		
Cash and cash equivalents	$ 10,686	$ 12,680
Receivables, net	6,616	6,330
Inventories, net	2,864	2,332
Other	689	442
Total current assets	20,855	21,784
Non-current assets:		
Receivables	398	350
Investments	4,718	4,867
Inventories, net	4,539	4,198
Property, plant and equipment, net	5,959	6,542
Intangible assets, net	8,341	8,587
Goodwill	14,953	14,697
Other non-current assets	1,134	955
Total assets	$ 60,897	$ 61,980
Liabilities and Equity:		
Current liabilities:		
Borrowings	$ 273	$ 32
Accounts payable, accrued expenses and other current liabilities	5,668	5,773
Participations, residuals and royalties payable	1,754	1,511
Program rights payable	1,373	1,298
Deferred revenue	976	957
Total current liabilities	10,044	9,571
Non-current liabilities:		
Borrowings	15,187	15,463
Other liabilities	2,927	2,908
Deferred income taxes	3,692	3,712
Redeemable noncontrolling interests	602	242
Commitments and contingencies		
Equity:		
Class A common stock[(1)]	16	18
Class B common stock[(2)]	8	8
Additional paid-in capital	16,546	17,435
Retained earnings and accumulated other comprehensive income	11,337	12,045
Total News Corporation stockholders equity	27,907	29,506
Noncontrolling interests	538	578

Total equity	28,445	30,084
Total liabilities and equity	$ 60,897	$ 61,980

[1] **Class A common stock**, $0.01 par value per share, 6,000,000,000 shares authorized, 1,646,535,979 shares and 1,828,315,242 shares issued and outstanding, net of 1,776,045,915 and 1,776,534,202 treasury shares at par at March 31, 2012 and June 30, 2011, respectively.

[2] **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, 2012 and June 30, 2011, respectively.

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

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	For the nine months ended March 31,	
	2012	**2011**
Operating activities:		
Net income	$ 2,916	$ 2,166
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	869	837
Amortization of cable distribution investments	69	69
Equity earnings of affiliates	(467)	(272)
Cash distributions received from affiliates	313	178
Impairment charges	10	168
Other, net	(22)	41
Change in operating assets and liabilities, net of acquisitions:		
Receivables and other assets	(551)	(130)
Inventories, net	(577)	(747)
Accounts payable and other liabilities	161	168
Net cash provided by operating activities	2,721	2,478
Investing activities:		
Property, plant and equipment, net of acquisitions	(651)	(817)
Acquisitions, net of cash acquired	(532)	(408)
Investments in equity affiliates	(14)	(273)
Other investments	(198)	(265)
Proceeds from dispositions	408	363
Net cash used in investing activities	(987)	(1,400)
Financing activities:		
Borrowings		2,471
Repayment of borrowings	(32)	(417)
Issuance of shares	87	12
Repurchase of shares	(3,294)	
Dividends paid	(323)	(257)
Purchase of subsidiary shares from noncontrolling interests		(116)
Sale of subsidiary shares to noncontrolling interests		50
Net cash (used in) provided by financing activities	(3,562)	1,743
Net (decrease) increase in cash and cash equivalents	(1,828)	2,821
Cash and cash equivalents, beginning of period	12,680	8,709
Exchange movement on opening cash balance	(166)	254
Cash and cash equivalents, end of period	$ 10,686	$ 11,784

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 (DBS), 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, 2012.

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, 2011 as filed with the Securities and Exchange Commission (SEC) on August 15, 2011 (the 2011 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 has an unconsolidated investment in a variable interest entity (VIE) and the Company s aggregate risk of loss related to this unconsolidated VIE was approximately $550 million and $544 million as of March 31, 2012 and June 30, 2011, respectively, which consisted of debt and equity securities and a loan and was included in Investments in the consolidated balance sheets. The Company agreed to backstop financing measures that are being initiated by this VIE, of which 145 million (approximately $195 million) remains as of March 31, 2012. In addition to the financing measures, the Company agreed to loan this VIE approximately $70 million, which has not yet been requested by this VIE.

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 2012 includes 52 weeks, while fiscal 2011 included 53 weeks with the 53rd week falling in the fourth fiscal quarter. All references to March 31, 2012 and March 31, 2011 relate to the three and nine months ended April 1, 2012 and March 27, 2011, respectively. For convenience purposes, the Company continues to date its financial statements as of March 31.

Certain fiscal 2011 amounts have been reclassified to conform to the fiscal 2012 presentation.

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Recently Adopted and Recently Issued Accounting Guidance

Adopted

The Company accounts for programming rights for its multi-year U.S. national sports agreements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 920, Entertainment Broadcasters (ASC 920). Under ASC 920, programmi rights are carried at the lower of unamortized cost or estimated net realizable value. At the inception of these contracts, and at least annually, the Company evaluates the recoverability of the total remaining contract costs plus programming rights for each multi-year U.S. national sports agreement using estimated remaining revenues and expenses directly related to each agreement. If such evaluation indicates that an agreement would result in an ultimate loss, the programming rights would be written down to net realizable value. In addition, where the ultimate loss exceeds the recorded asset, an incremental liability would be recorded to currently recognize the estimated future loss.

In the first quarter of fiscal 2012, the Company voluntarily changed its method of recognizing losses on its multi-year U.S. national sports agreements by no longer accruing for estimated future losses. The Company will, however, continue to recognize programming rights at the lower of unamortized cost or estimated net realizable value in accordance with ASC 920. The Company believes that this method is preferable because the change will (1) align the Company s policy with peer companies in the media industry; (2) result in better correspondence with the substance of the event being recognized as estimated future losses will no longer be recognized; and (3) limit the effect of judgment on any potential impairment loss because the impairment analysis, which involves significant judgment about future revenue and revenue allocations, will only affect programming rights on the balance sheet. Retrospective application of the change in accounting policy had no effect on the consolidated financial statements of the Company for any of the periods presented.

In the third quarter of fiscal 2012, the Company adopted Accounting Standards Update (ASU) 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820, Fair Value Measurements (ASC 820). In addition, ASU 2011-04 requires additional fair value disclosures. The prospective application of the amended accounting guidance resulted in additional financial statement disclosures.

Issued

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05), which eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 (ASU 2011-12), to defer the requirement in ASU 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income (AOCI) in both other comprehensive income and net income on the face of the financial statements. ASU 2011-12 requires companies to continue to present amounts reclassified out of AOCI on the face of the financial statements or disclose them in the notes to the financial statements. These provisions are effective for the Company beginning July 1, 2012 and will be applied retrospectively. The Company does not expect the adoption of this standard will have a significant impact on its consolidated financial statements as it will only impact presentation.

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In September 2011, the FASB issued ASU 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment (ASU 2011-08), which permits an entity to make a qualitative assessment of 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. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. ASU 2011-08 is effective for the Company for annual and interim goodwill impairment tests performed beginning July 1, 2012, however, early adoption is permitted. The Company is currently evaluating the impact ASU 2011-08 will have on its consolidated financial statements.

In September 2011, the FASB issued ASU 2011-09, Compensation Retirement Benefits Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer s Participation in a Multiemployer Plan (ASU 2011-09). ASU 2011-09 requires enhanced qualitative and quantitative disclosures about an employer s participation in multiemployer pension plans, including additional information about the plans, the level of an employer s participation in the plans and the financial health of significant plans. ASU 2011-09 is retrospectively effective for the Company for the annual periods presented for the fiscal year ending June 30, 2012. The Company does not expect the adoption of this standard will have a significant impact on its consolidated financial statements as it will only impact presentation.

Note 2 Acquisitions, Disposals and Other Transactions

Fiscal 2012

Acquisitions

In October 2011, the Company entered into an agreement to acquire Thomas Nelson, Inc., one of the leading trade publishers in the United States, for approximately $200 million. The acquisition is subject to regulatory clearances and other customary closing conditions.

In December 2011, the Company acquired a 67% equity interest in Fox Pan American Sports LLC (FPAS) for approximately $400 million. The Company previously owned (i) an approximate 33% equity interest in 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 Central and South American nations, and (ii) 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 results of FPAS are included in the Company s consolidated results of operations beginning in December 2011.

The FPAS acquisition was accounted for in accordance with ASC 805, Business Combinations (ASC 805), which requires an acquirer to remeasure its previously held equity interest in an acquiree at its acquisition date fair value and recognize the resulting gain or loss in earnings. 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. In accordance with ASC 350, Intangibles-Goodwill and Other (ASC 350), the excess purchase price preliminarily allocated to goodwill will not be amortized for the FPAS acquisition. The amount allocated to goodwill is subject to change pending the completion of final valuations of certain assets and liabilities. A future reduction in goodwill for additional value to be assigned to identifiable finite-lived intangible assets or tangible assets could reduce future earnings as a result of additional amortization.

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Disposition

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.

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 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, including investigations into whether similar conduct may have occurred at the Company s subsidiaries outside of the U.K. The Company is fully cooperating with these investigations. In addition, the Company has admitted liability in a number of civil cases related to the phone hacking allegations and has settled a number of cases. The Company has taken steps to solve the problems relating to *The News of the World* including the creation of an independently-chaired Management & Standards Committee (the MSC), which operates independently from NI Group Limited (News International) and has full authority to ensure complete cooperation with all relevant investigations and inquiries into *The News of the World* matters and all other related issues across News International. The MSC conducts its own internal investigation where appropriate. The MSC has an independent Chairman, Lord Grabiner QC, and reports directly to Joel Klein, Executive Vice President and a director of the Company. Mr. Klein 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 News International and engaged independent outside counsel to advise it on these investigations and all other matters it handles. News International has instituted governance reforms and issued certain enhanced policies to its employees. The Company has also engaged independent outside counsel to assist it in responding to U.S. governmental inquiries. (See Note 14 Contingencies for a summary of the costs of *The News of the World* Investigations and Litigation.)

The Company is actively marketing its former U.K. newspaper division headquarters located in East London, which it relocated from in August 2010. As of March 31, 2012, the estimated selling price, less the cost to sell this facility, was in excess of its book value. If the estimated selling price, less the costs to sell this facility, is less than its book value a loss would be recognized in an amount equal to that deficit. This asset held for sale, which is not material to the Company, has been reclassified from Property, plant and equipment, net to Other current assets and is no longer being depreciated. The Company expects to complete a sale of this facility within one year.

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 Regional Sports Networks (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.

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal 2011

During the first quarter of fiscal 2011, the Company acquired an additional interest in Asianet Communications Limited (Asianet), an Asian general entertainment television joint venture, for approximately $92 million in cash. As a result of this transaction, the Company increased its interest in Asianet to 75% from the 51% it owned at June 30, 2010.

In November 2010, the Company formed a joint venture with China Media Capital (CMC), a media fund in China, to explore new growth opportunities. The Company transferred the equity and related assets of its STAR China business along with the Fortune Star Chinese movie library with a combined market value of approximately $140 million and CMC paid cash of approximately $74 million to the Company. Following this transaction, CMC holds a 53% controlling stake in the joint venture and the Company holds a 47% stake. The Company s interest in the joint venture was recorded at fair value of $66 million, which was determined using a discounted cash flow valuation method and is now accounted for under the equity method of accounting. The Company recorded a gain on this transaction which was included in Other, net in the consolidated statements of operations. (See Note 17 Additional Financial Information)

In December 2010, the Company disposed of the Fox Mobile Group (Fox Mobile) and recorded a loss on the disposition which was included in Other, net in the consolidated statements of operations. (See Note 17 Additional Financial Information) The net income, assets, liabilities and cash flow attributable to the Fox Mobile operations were not material to the Company in any of the periods presented and, accordingly, have not been presented separately.

In fiscal 2011, the Company acquired Wireless Generation, an education technology company, for cash. Total consideration was approximately $390 million, which included the equity purchase and the repayment of Wireless Generation s outstanding debt.

In April 2011, the Company acquired Shine Limited (Shine), an international television production company, for cash. The total consideration for this acquisition included (i) approximately $480 million for the acquisition of the equity, of which approximately $60 million has been set aside in escrow to satisfy any indemnification obligations, (ii) the repayment of Shine s outstanding debt of approximately $135 million and (iii) net liabilities assumed. Elisabeth Murdoch, Chairman and Chief Executive Officer of Shine, and daughter of Mr. K. R. Murdoch and sister of Messrs. Lachlan and James Murdoch, received approximately $214 million in cash at closing in consideration for her majority ownership interest in Shine, and is entitled to her proportionate share of amounts that are released from escrow.

The aforementioned acquisitions were accounted for in accordance with ASC 805. In accordance with ASC 350, the excess purchase price that has been allocated or has been preliminarily allocated to goodwill is not being amortized for all of the acquisitions noted above. Where the allocation of the excess purchase price is not final, the amount allocated to goodwill is subject to change upon completion of final valuations of certain assets and liabilities. A future reduction in goodwill for additional value to be assigned to identifiable finite-lived intangible assets or tangible assets could reduce future earnings as a result of additional amortization.

In June 2011, the Company transferred the equity and related assets of Myspace to a digital media company in exchange for an equity interest in the acquirer. As a result of this transaction, the Company s interest in the acquirer, which is not material, was recorded at fair value and is now accounted for under the cost method of accounting. The loss on this transaction was approximately $254 million, net of tax of $61 million, or ($0.10) per diluted share and was included in Loss on disposition of discontinued operations, net of tax in the consolidated statements of operations for the fiscal year ended June 30, 2011. The assets, liabilities and cash flow attributable

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

to the Myspace operations were not material to the Company in any of the periods presented and, accordingly, have not been presented separately. Revenues attributable to Myspace for the three and nine months ended March 31, 2011 were $15 million and $95 million, respectively. Operating losses attributable to Myspace for the three and nine months ended March 31, 2011 were $54 million and $172 million, respectively.

Note 3 Receivables, net

Receivables, net 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, 2012 and June 30, 2011, these allowances were not material.

Receivables, net consisted of:

	At March 31, 2012	At June 30, 2011
	(in millions)	
Total receivables	$ 8,128	$ 7,779
Allowances for returns and doubtful accounts	(1,114)	(1,099)
Total receivables, net	7,014	6,680
Less: current receivables, net	(6,616)	(6,330)
Non-current receivables, net	$ 398	$ 350

Note 4 Restructuring Programs

The Company recorded restructuring charges of approximately $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 shutdown of *The News of the World,* 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 has written-off associated intangible assets of approximately $10 million in the three and nine months ended March 31, 2012.

In fiscal 2011, the Company recorded restructuring charges of approximately $145 million, of which $3 million and $117 million were recorded during the three and nine months ended March 31, 2011, respectively. The fiscal 2011 restructuring charges primarily consisted of a $115 million charge related to the Company s digital media properties and $25 million related to termination benefits recorded at the newspaper businesses. The charges at the Company s digital media properties were a result of an organizational restructuring to align resources more closely with business priorities and consisted of facility related costs of $95 million, termination benefits of $18 million and other associated costs of $2 million.

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The Company expects to record an additional $60 million of restructuring charges, principally related to accretion on facility termination obligations through fiscal 2021 and additional termination benefits related to the newspaper businesses. At March 31, 2012, restructuring liabilities of approximately $72 million and $156 million were included in the consolidated balance sheets in other current liabilities and other liabilities, respectively. Amounts included in other liabilities primarily relate to facility termination obligations, which are expected to be paid through fiscal 2021.

Changes in the program liabilities were as follows:

	For the three months ended March 31, 2012				For the three months ended March 31, 2011			
	One time termination benefits	Facility related costs	Other costs	Total	One time termination benefits	Facility related costs	Other costs	Total
	(in millions)				(in millions)			
Beginning of period	$ 59	$ 195	$	$ 254	$ 29	$ 229	$ 7	$ 265
Additions	8	3	6	17		3		3
Payments	(29)	(9)	(1)	(39)	(14)	(9)	(6)	(29)
Other			(4)	(4)	(1)	(1)	1	(1)
End of period	$ 38	$ 189	$ 1	$ 228	$ 14	$ 222	$ 2	$ 238

	For the nine months ended March 31, 2012				For the nine months ended March 31, 2011			
	One time termination benefits	Facility related costs	Other costs	Total	One time termination benefits	Facility related costs	Other costs	Total
	(in millions)				(in millions)			
Beginning of period	$ 27	$ 207	$	$ 234	$ 32	$ 154	$ 6	$ 192
Additions	110	9	25	144	22	93	2	117
Payments	(94)	(27)	(13)	(134)	(39)	(24)	(6)	(69)
Other	(5)		(11)	(16)	(1)	(1)		(2)
End of period	$ 38	$ 189	$ 1	$ 228	$ 14	$ 222	$ 2	$ 238

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NEWS CORPORATION

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 5 Inventories, net

The Company s inventories were comprised of the following:

	At March 31, 2012	At June 30, 2011
	(in millions)	
Programming rights	$ 4,431	$ 3,512
Books, DVDs, Blu-rays, paper and other merchandise	372	373
Filmed entertainment costs:		
Films:		
Released (including acquired film libraries)	621	755
Completed, not released	72	31
In production	757	784
In development or preproduction	169	98
	1,619	1,668
Television productions:		
Released (including acquired libraries)	547	617
In production	430	356
In development or preproduction	4	4
	981	977
Total filmed entertainment costs, less accumulated amortization[a]	2,600	2,645
Total inventories, net	7,403	6,530
Less: current portion of inventory, net[b]	(2,864)	(2,332)
Total noncurrent inventories, net	$ 4,539	$ 4,198

[a] Does not include $405 million and $428 million of net intangible film library costs as of March 31, 2012 and June 30, 2011, respectively, which are included in intangible assets subject to amortization in the consolidated balance sheets.

[b] Current inventory as of March 31, 2012 and June 30, 2011 was comprised of programming rights ($2,525 million and $1,995 million, respectively), books, DVDs, Blu-rays, paper and other merchandise.

Note 6 Investments

The Company s investments were comprised of the following:

	Ownership Percentage	At March 31,	At June 30,

			2012	2011
			(in millions)	
Equity method investments:				
British Sky Broadcasting Group plc[a]	U.K. DBS operator	39%	$ 1,774	$ 1,532
NDS Group Limited	Digital technology company	49%	471	423
Sky Network Television Ltd.[a]	New Zealand media company	44%	383	424
Sky Deutschland AG[a]	German pay-TV operator	49.9%	251	304
Other equity method investments		various	863	1,107
Fair value of available-for-sale investments[b]		various	513	652
Other investments		various	463	425
			$ 4,718	$ 4,867