
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2016
or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

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PART I

ITEM 1. BUSINESS

Separation, the Company assumed the name “News Corporation.” Unless otherwise indicated, references in this Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (the “Annual Report”) to the “Company,” “News Corp,” “we,” “us,” or “our” means News Corporation and its subsidiaries. The Company’s principal executive offices are located at 1211 Avenue of the Americas, New York, New York 10036, and its telephone number is (212) 416-3400. The Company’s Class A and Class B Common Stock are listed on The NASDAQ Global Select Market (“NASDAQ”) under the trading symbols “NWSA” and “NWS,” respectively, and CHES Depository Interests (“CDIs”) representing the Company’s Class A and Class B Common Stock are listed on the Australian Securities Exchange (“ASX”) under the trading symbols “NWSLV” and “NWS,” respectively. More information regarding the Company is available on its website at www.newscorp.com, including the Company’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are available, free of charge, as soon as reasonably practicable after the material is electronically filed with or furnished to the Securities and Exchange Commission (“SEC”).

BUSINESS OVERVIEW

The Company's five reporting segments are described below. In addition, the Company owns a 50% stake in Foxtel, which is accounted for as an equity investment. For financial information regarding the Company's segments and operations in geographic areas, see Note 19 to the Financial Statements.

For the fiscal year ended June 30, 2016

Revenues Segment

around the U.S., including eight owned by the Company. WSJ sells regional advertising in three major U.S. regional editions (Eastern, Central and Western) and 21 smaller sub-regional editions. WSJ's digital products, described below, which offer both free and premium content, averaged nearly 93 million visits per month for the 12 months ended June 30, 2016 according to Adobe Analytics, and include local language content in multiple languages. Print and digital products under the WSJ brand include:

Print: The Wall Street Journal (including its Asia and Europe editions) and *WSJ Magazine*.

Digital: WSJ.com, WSJ Mobile and WSJ Video.

WSJ.com. WSJ.com includes *Risk & Compliance Journal*, *CIO Journal*, *CFO Journal*, *CMO Today*, WSJ.D (WSJ's home for technology news, analysis, commentary, daily buzz and consumer product reviews), WSJ+ (a complimentary membership for WSJ subscribers that provides premium offers such as exclusive event invitations) and WSJ.com international sites such as WSJ.com/Asia and WSJ.com/Europe.

WSJ Mobile. WSJ offers a range of mobile products, including a responsive-design website and applications for multiple mobile devices. For the 12 months ended June 30, 2016, WSJ Mobile (including WSJ.com accessed via mobile devices, as well as applications) accounted for approximately 50% of visits to WSJ's digital news and information products according to Adobe Analytics.

WSJ Video. WSJ video provides live and on-demand news online through WSJ.com and other platforms, including YouTube, Internet-connected TV and set-top boxes.

- *Dow Jones Media Group.* The new Dow Jones Media Group focuses on Dow Jones consumer brands outside of The Wall Street Journal franchise, including *Barron's* and MarketWatch, among other properties.

Barron's. *Barron's*, which is available in print, online and on multiple mobile, tablet and e-book devices, delivers news, analysis, investigative reporting, company profiles and insightful statistics for investors and others interested in the investment world. *Barron's* had average print and digital issue sales of approximately 438,000, including average print and digital subscriptions of approximately 423,000, of which approximately 133,000 were digital-only subscriptions, for the period from March 28, 2016 to July 3, 2016 based on internal data, with independent assurance provided by PricewaterhouseCoopers LLP UK.

MarketWatch. MarketWatch is an investing and financial news website targeting active investors. It also provides real-time commentary and investment tools and data. Products include mobile and tablet applications, a mobile site and MarketWatch Premium Newsletters (paid newsletters on a

Dow Jones's professional information products, which target enterprise customers, combine news and information with technology and tools that inform decisions and aid awareness, research and understanding. These products are designed to be integral to the success of Dow Jones's enterprise customers, and Dow Jones expects to continue to build strong customer relationships by providing high levels of service and continued innovation through news, data and tools that meet its customers' specific needs. These products include the following:

- *Knowledge and Insight.* Dow Jones Knowledge and Insight products provide data and analysis from curated sources and include:

Factiva. Factiva is a leading provider of global business content, built on an archive of important, original publishing sources. This combination of business news and information, plus sophisticated tools, helps professionals find, monitor, interpret and share essential information. As of June 30, 2016, there were approximately 1.2 million activated Factiva users, including both institutional and individual accounts. Many of the institutional accounts have multiple individual users. Factiva offers content from over 33,000 global news and information sources from nearly 200 countries and in 28 languages. Thousands of Factiva's sources are not available for free on the Internet and more than 4,000 sources make information available via Factiva on or before the date of publication by the source. Factiva leverages complex metadata extraction and text-mining to

of newspapers in Australia, and during the year ended March 31, 2016, its Sunday newspaper network was read by approximately 4.0 million Australians on average every week. In addition, its digital mastheads and other websites are among the leading digital news properties in Australia based on monthly unique audience data. News Corp Australia's news portfolio includes:

- *The Australian* and *The Weekend Australian*

total audience ratings for the three months ended June 30, 2016. In addition, News Corp Australia owns other premier properties such as taste.com.au, a leading food and recipe site, and kidspot.com.au, a leading parenting website, as well as various other digital media assets, including a 70.6% stake in the Sports Technology Group, which supplies a scheduling tool for sports and other community organizations. As of June 30, 2016, News Corp Australia's other assets included a 14.99% interest in APN News and Media Limited, which operates a portfolio of Australian radio and outdoor media assets and small regional print interests, a 13.75% interest in SEEKAsia Limited, which operates leading online employment marketplaces throughout Southeast Asia, and a 25% interest in Hipages Group Pty Ltd., which operates a leading on-demand home improvement services marketplace.

N s K

News UK publishes *The Sun*, *The Sun on Sunday*, *The Times* and *The Sunday Times*, which are leading newspapers in the U.K. As of June 30, 2016, sales of these four titles accounted for approximately one-third of

its comprehensive sports coverage, famous headlines and its iconic Page Six section, an authority on celebrity news. The print version of the *Post* is primarily distributed in New York, where it is printed in a printing facility in the Bronx, as well as throughout the Northeast, Florida and California, where it uses Dow Jones's printing facilities or third party printers. For the three months ended June 30, 2016, average weekday circulation based on AAM data, including smartphone and tablet app digital editions, was 418,857. In addition, the Post Digital Network, which includes NYPost.com, PageSix.com and Decider.com, reached approximately 49 million unique users on average each month during the quarter ended June 30, 2016 according to Google Analytics.

N s A M

News America Marketing ("NAM") is the premier marketing partner of some of the world's most well-known brands, and its broad portfolio of products and services influences the purchasing decisions of online and offline shoppers across the U.S. and Canada. NAM's marketing solutions are available via multiple distribution channels, including publications, in stores and online, primarily under the SmartSource brand name and through the Checkout 51 mobile application.

NAM provides customers with solutions across the shopper's path to purchase, focusing primarily on the following three business areas:

- *Home-Delivered*: NAM is one of the leading providers of home-delivered shopper media, including free-standing inserts and direct mail products. Free-standing inserts are multiple-page marketing booklets containing coupons, rebates and other consumer offers, which are distributed to millions of households under the SmartSource Magazine® brand through insertion primarily into local Sunday publications. Advertisers, primarily packaged goods companies, pay NAM to produce free-standing inserts where their offers are featured, often on an exclusive basis within their product category. NAM contracts with and pays publishers as well as printers, among others, to produce and/or distribute free-standing inserts in their papers.
- *In-Store Advertising and Merchandising*: NAM is a leading provider of in-store marketing products and services, primarily to consumer packaged goods manufacturers. NAM's marketing products include: at-shelf advertising such as coupon, information and sample-dispensing machines, as well as floor and shopping cart advertising, among others, and are found in thousands of shopping locations, including supermarkets, drug stores, dollar stores, office supply stores, mass merchandisers and specialty stores across North America. NAM also provides in-store merchandising services, including production and installation of instant-redeemable coupons, on-pack stickers, shipper assembly, display set-up and refilling, shelf management and new product cut-ins.
- *Mobile/Digital*: NAM's digital marketing solutions include SmartSource Digital, which encompasses secure printable couponing, load-to-card couponing, targeted email campaigns and programmatic digital display, and the Checkout 51 mobile application, a leading receipt recognition app that enables packaged goods companies and brands to reach consumers with highly personalized marketing campaigns.

NAM believes its programs have key advantages when compared to other marketing options available to packaged goods companies, retailers and other marketers. NAM offers effective and targeted programs that reach a national audience of consumers who are actively seeking incentives or information at critical points along the path to purchase.

The Company's News and Information Services products compete with a wide range of media businesses, including print publications, digital media and information services.

The Company's newspapers, magazines and digital publications compete for readership and advertising with local and national newspapers, web and application-based media, social media sources and other media such

based on the news and editorial content, subscription pricing, cover price and, from time to time, various promotions. Competition for advertising is based upon advertisers' judgments as to the most effective media for their advertising budgets, which is in turn based upon various factors including circulation volume, readership levels, audience demographics, advertising rates and advertising effectiveness results. As a result of rapidly changing and evolving technologies, distribution platforms and business models, the consumer-focused businesses within the Company's News and Information Services segment, including its newspaper businesses, continue to face increasing competition for both circulation and advertising revenue from a variety of alternative news and information sources. These include both paid and free websites, digital applications, news aggregators, blogs, search engines, social media platforms, digital advertising networks and exchanges, bidding and other programmatic advertising buying channels, as well as other emerging media and distribution platforms. Shifts in consumer behavior, including the widespread adoption of mobile phones, tablets, e-book readers and other portable devices as platforms through which news and information is consumed, require the Company to continually innovate and improve upon its own products, services and platforms in order to remain competitive. The Company believes that these changes will continue to pose opportunities and challenges, and that it is well positioned to leverage its global reach, brand recognition and proprietary technology to take advantage of the opportunities presented by these changes.

Dow Jones professional information products that target enterprise customers compete with various information service providers, compliance data providers and global financial newswires, including Thomson Reuters, Bloomberg L.P., LexisNexis, as well as many other providers of news, information and compliance data.

represented approximately 19% of global consumer revenues for the fiscal year ended June 30, 2016. With the widespread adoption of electronic formats by consumers, HarperCollins is publishing a number of titles in digital

agent branding and listing products. The media business offers unique advertising opportunities on both realestate.com.au and realcommercial.com.au, as well as native advertisement placements. Revenue from this business is generated primarily from agents and commercial developers, which benefit from being able to target REA Group's substantial audience base.

REA Group's international operations include property sites in Asia and Europe. In Asia, REA Group increased its interest in iProperty Group Limited ("iProperty") to 86.9% in February 2016. iProperty operates leading property sites throughout Southeast Asia, including Malaysia and Hong Kong, and prominent portals in Thailand, Singapore and Indonesia. The combined sites for iProperty had approximately 7.4 million average monthly visits for the year ended June 30, 2016 according to Google Analytics. REA Group also operates a Chinese site, myfun.com, which supports REA Group's businesses in other geographical markets by showcasing residential property listings to Chinese buyers and investors, and delivers leads to agents. In Europe, REA Group operates sites in Italy (casa.it) and in Luxembourg and regions of France (atHome.lu, atHome.de, immoRegion.fr and atOffice.lu). Average monthly visits to the combined European sites increased 15% for the year ended June 30, 2016 compared to the prior year according to Adobe Analytics.

REA Group competes primarily with other property websites in its geographic markets, including domain.com.au in Australia.

M

Move is a leading provider of online real estate services in the U.S. Move primarily operates realtor.com[®], a premier real estate information and services marketplace, under a perpetual agreement and trademark license with the National Association of Realtors[®] ("NAR"). Through realtor.com[®], consumers have access to over 100 million properties across the U.S., including the most complete collection of homes and properties listed with Multiple Listing Services ("MLS") and displayed for sale among the competing national online portals and an extensive database of "off-market" properties. Realtor.com[®] and its related mobile applications display approximately 98% of all MLS-listed, for-sale properties in the U.S., which are primarily sourced directly from

regulations described herein. The introduction of new laws and regulations in countries where the Company's products and services are produced or distributed (and changes in the enforcement of existing laws and regulations in those countries) could have a negative impact on the Company's interests.

Australian Media Regulation

The Company's subscription television interests are subject to Australia's regulatory framework for the broadcasting industry. The key regulatory body for the Australian broadcasting industry is the Australian Communications and Media Authority.

Key regulatory issues for subscription television providers include: (a) anti-siphoning restrictions—currently under the 'anti-siphoning' provisions of the Australian Broadcasting Services Act 1992 (Cth), subscription television providers are prevented from acquiring rights to televise certain listed events (for example, the Olympic Games and certain Australian Rules football and cricket matches) unless national and commercial television broadcasters have not obtained these rights 12 weeks before the start of the event or the rights to televise are also held by commercial television licensees who have rights to televise the event to more than 50% of the Australian population or the rights to televise are also held by one of Australia's two major government-funded broadcasters; and (b) the Broadcasting Services Act also may impact the Company's ownership structure and operations and restrict its ability to take advantage of acquisition or investment opportunities including, for example, preventing it from exercising control of a commercial television broadcasting license, a commercial radio license and a newspaper in the same license area.

Data Privacy and Security

Our business activities are subject to laws and regulations governing the collection, use, sharing, protection and retention of personal data, which continue to evolve and have implications for how such data is managed. For example, in the U.S., certain of the Company's websites, mobile applications and other online business activities are subject to the Children's Online Privacy Protection Act of 1998, which prohibits websites from collecting personally identifiable information online from children under age 13 without prior parental consent. In addition, the Federal Trade Commission (the "FTC") continues to expand its application of general consumer

The Company's ability to generate advertising revenue is also dependent on demand for the Company's products and services, demographics of the customer base, advertising rates and results observed by advertisers. For example, circulation levels for the Company's newspapers and ratings points for its cable channels are among the factors that are weighed by advertisers when determining the amount of advertising to purchase from the Company as well as advertising rates. For the Company's digital media properties, advertisers use various metrics to evaluate demand such as the number of visits, number of users, user engagement and, for digital real estate services, the number and quality of leads provided. Demand for the Company's products and services depends in turn upon the Company's ability to differentiate and distinguish those products and services and anticipate and adapt to changes in consumer tastes and behaviors in a timely manner. Technological and other developments may cause changes in consumer behavior that could affect the attractiveness of the Company's offerings to advertisers.

The increasing popularity of digital media among consumers as a source of news and other content is driving a corresponding shift in advertising from traditional print to digital. The development of new devices and technologies, as well as higher consumer engagement with other forms of digital media such as online and mobile social networking, are increasing the number of media choices and formats available to audiences, resulting in audience fragmentation and increased competition for advertising. The range of advertising choices across digital products and platforms and the large inventory of available digital advertising space have historically resulted in significantly lower rates for digital advertising than for print advertising. In addition, in the past, rates have been generally lower for mobile advertising than for desktop advertising. As a result, increasing consumer reliance on mobile devices may add additional pricing pressure. Consequently, the Company's digital advertising revenue may not be able to replace print advertising revenue lost as a result of the shift to digital consumption.

The digital advertising market also continues to undergo significant changes that may further impact digital advertising revenues. Digital advertising networks and exchanges, real-time bidding and other programmatic buying channels that allow advertisers to buy audiences at scale are playing a more significant role in the advertising marketplace and may cause further downward pricing pressure. New delivery platforms may also lead to loss of distribution and pricing control and loss of a direct relationship with consumers. In addition, evolving standards for the delivery of digital advertising, including the industry-wide standard on viewability, as well as the development and adoption of technology designed to block the display of advertising on websites and mobile devices, may also negatively impact digital advertising revenues. As the digital advertising market continues to evolve, the Company's ability to compete successfully for advertising budgets will depend on, among other things, its ability to drive scale, engage digital audiences and prove the value of its advertising and the effectiveness of the Company's platforms to its advertising customers, including through more targeted, data-driven offerings.

While the Company has adopted a number of strategies and initiatives to address these challenges, there can be no guarantee that its efforts will be successful. If the Company is unable to demonstrate the continuing value of its print and digital platforms and high-quality content and brands or offer advertisers unique multi-platform advertising programs, its results with an the t2(advertising)-261.1(from)-ex252(it258.1(may)-20(advert53(Company's)-254.1(platfoer

trends in the newspaper industry such as declining newspaper buying by younger audiences and consumers' increasing reliance on a variety of content providers, including news aggregation websites and customized news feeds, for the delivery of news and information through the Internet, often without charge. Internet sites and

In order to succeed, the Company must continue to innovate to ensure that its products and services remain relevant and useful for consumers and customers. The Company may be required to incur significant capital expenditures in order to respond to new technologies, new and enhanced offerings from its competitors, and changes in consumer behavior, and there is a risk that its responses and strategies to remain competitive, including distribution of its content on a “pay” basis, may not be adopted by consumers. The Company’s failure to protect and exploit the value of its content, while responding to and developing new technologies, products, services and business models to take advantage of advancements in technology and the latest consumer preferences could cause its customer, audience and/or user base to decline, in some cases precipitously, and could have a significant adverse effect on its businesses, asset values and results of operations.

The Inability to Renew Sports Programming Rights Could Cause the Revenue of Certain of the Company’s Australian Operating Businesses to Decline Significantly in any Given Period, and Programming Costs Could Also Increase Upon Renewal.

The sports rights contracts between certain of the Company’s Australian operating businesses, on the one hand, and various professional sports leagues and teams, on the other, have varying duration and renewal terms. As these contracts expire, renewals on favorable terms may be sought; however, third parties may outbid the current rights holders for the rights contracts. In addition, professional sports leagues or teams may create their own networks or the renewal costs could substantially exceed the original contract cost. The loss of rights could impact the extent of the sports coverage offered by the Company and lead to customer dissatisfaction or, in some cases, loss of customers, which could, in turn, adversely affect its revenues. Upon renewal, the Company’s results could be adversely affected if escalations in sports programming rights costs are unmatched by increases in subscriber and carriage fees and advertising rates.

Fluctuations in Foreign Currency Exchange Rates Could Have an Adverse Effect on the Company’s Results of Operations.

The Company has significant operations in a number of foreign jurisdictions and certain of its operations are conducted in foreign currencies, primarily the Australian dollar and the British pound sterling. Since the Company’s financial statements are denominated in U.S. dollars, changes in foreign currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, a currency translation impact on the Company’s earnings, which could, in turn, have an adverse effect on its results of operations in a given period or in specific markets.

Weak Domestic and Global Economic Conditions and Volatility and Disruption in the Financial and Other Markets May Adversely Affect the Company’s Business.

The U.S. and global economies have undergone periods of economic uncertainty which resulted in, among other things, a general tightening in the credit markets, limited access to the credit markets, lower levels of

be adversely affected by negative developments in the Australian market. The Company also has significant operations in the U.K., which recently voted in a referendum to leave the European Union. While the referendum is advisory, the U.K. Government has stated that it intends to give effect to the results of the vote. An exit of the U.K. from the European Union could significantly affect the fiscal, monetary and regulatory landscape in the U.K., lead other member countries to consider leaving the European Union, result in additional volatility and disruption in the financial and other markets and have an adverse impact on the Company's businesses in the U.K. and elsewhere. Although the Company believes that its capitalization, operating cash flow and current access to credit markets, including the Company's revolving credit facility, will give it the ability to meet its financial needs for the foreseeable future, there can be no assurance that any further volatility and disruption in domestic and global capital and credit markets will not impair the Company's liquidity or increase its cost of borrowing.

The Company Has Made and May Continue to Make Strategic Acquisitions and Investments That Introduce Significant Risks and Uncertainties.

In order to position its business to take advantage of growth opportunities, the Company has made and may continue to make strategic acquisitions and investments that involve significant risks and uncertainties. These risks and uncertainties include, among others: (1) the difficulty in integrating newly acquired businesses and operations in an efficient and effective manner, (2) the challenges in achieving strategic objectives, cost savings and other anticipated benefits, (3) the potential loss of key employees of the acquired businesses, (4) with respect to investments, risks associated with the inability to control the operations of the business, (5) the risk of diverting the attention of the Company's senior management from the Company's operations, (6) the risks associated with integrating financial reporting and internal control systems, (7) the difficulties in expanding information technology systems and other business processes to accommodate the acquired businesses, (8) potential future impairments of goodwill associated with the acquired business or investment and (9) in some cases, increased regulation.

If any acquired business or investment fails to operate as anticipated or an acquired business cannot be successfully integrated with the Company's existing businesses, the Company's business, results of operations and financial condition could be adversely affected, and the Company may be required to record non-cash impairment charges for the write-down of certain acquired assets.

The Company Does Not Have the Right to Manage Foxtel, Which Means It is Not Able to Cause Foxtel to Operate or Make Corporate Decisions in a Manner that is Favorable to the Company.

The Company does not have the right to manage the business or affairs of Foxtel. While the Company's rights include the right to appoint one-half of the board of directors of Foxtel, the Company is not able to cause management or the board of directors to take any specific actions on its behalf, including with regards to declaring and paying dividends.

The Company Relies on Network and Information Systems and Other Technology Whose Failure or Misuse Could Cause a Disruption of Services or Loss or Improper Disclosure of Personal Data, Business Information, Including Intellectual Property, or Other Confidential Information, Resulting in Increased Costs or Loss of Revenue.

Network and information systems and other technologies, including those related to the Company's network management, are important to its business activities. The Company also relies on third party providers for certain technology and "cloud-based" systems and services that support a variety of business operations. Network and information systems-related events affecting the Company's systems, or those of third parties upon which the Company's business relies, such as computer hackings, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, as well as power outages, equipment failure, natural disasters (including extreme weather), terrorist activities, human error or malfeasance that may affect such

systems, could result in disruption of the Company's business and/or loss or improper disclosure of personal data, business information, including intellectual property, or other confidential information. In addition, hardware or software applications the Company develops or procures from third parties may contain design or manufacturing defects that could unexpectedly compromise information security. In recent years, there has been a rise in the number of cyberattacks on companies' network and information systems, and such attacks have become more sophisticated, targeted and difficult to detect and prevent against. As a result, the risks associated with such an event continue to increase. The Company has experienced, and expects to continue to be subject to, cybersecurity threats and incidents, none of which have been material to the Company to date. Efforts by the Company and its vendors to develop, implement and maintain security measures may not be successful in preventing these events from occurring, particularly given that techniques used to access, disable or degrade service, or sabotage systems change frequently, and any network and information systems-related events could require the Company to expend significant resources to remedy such event. Moreover, the development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. While the Company maintains cyber risk insurance, this insurance may not be sufficient to cover all losses from any future breaches of our system.

A significant failure, compromise, breach or interruption of the Company's systems, or those of third parties upon which its business relies, could result in a disruption of its operations, customer or advertiser dissatisfaction, damage to its reputation or brands, regulatory investigations and enforcement actions, lawsuits, remediation costs, a loss of customers or revenues and other financial losses. If any such failure, interruption or similar event results in the improper disclosure of information maintained in the Company's information systems and networks or those of its vendors, including financial, personal, credit card, confidential and proprietary information relating to personnel, customers, vendors and the Company's business, including its intellectual property, the Company could also be subject to liability under relevant contractual obligations and laws and regulations protecting personal data and privacy.

The Company Could Suffer Losses Due to Asset Impairment and Restructuring Charges.

As a result of adverse developments in the Company's industry and challenging economic and market conditions, the Company may recognize impairment charges for write-downs of goodwill, intangible assets, investments and other long-lived assets, as well as restructuring charges relating to the reorganization of its businesses, which negatively impact the Company's financial results. When the Company acquires a business, it records goodwill in an amount equal to the excess of the fair value of the acquired business over the fair value of the identifiable assets and liabilities, including intangible assets, as of the acquisition date. The Company's management must regularly evaluate goodwill and other acquired intangible assets expected to contribute indefinitely to the Company's cash flows in order to determine whether, based on projected discounted future cash flows, the carrying value for such assets exceeds current fair value and the Company should recognize an impairment. In accordance with GAAP, the Company performs an annual impairment assessment of its recorded goodwill and indefinite-lived intangible assets, including distribution networks, newspaper mastheads, imprints

Adverse Results from Litigation or Other Proceedings Could Impact the Company's Business Practices and Operating Results.

From time to time, the Company is party to litigation, as well as to regulatory and other proceedings with governmental authorities and administrative agencies. For example, a competitor of the Company's NAM business has filed lawsuits against NAM alleging antitrust violations and seeking treble damages, injunctive relief and attorneys' fees. The outcome of these matters and other litigation and proceedings is subject to significant uncertainty, and it is possible that an adverse resolution of one or more such proceedings could result in reputational harm and/or significant monetary damages, injunctive relief or settlement costs that could adversely affect the Company's results of operations or financial condition as well as the Company's ability to conduct its business as it is presently being conducted. For example, in February 2016, as part of a settlement agreement relating to an action brought by customers of the NAM business, the Company agreed, subject to District Court approval, to pay the plaintiffs and their attorneys approximately \$250 million and settled related claims for approximately \$30 million. In addition, regardless of merit or outcome, such proceedings can have an adverse impact on the Company as a result of legal costs, diversion of management and other personnel, and other factors. See "Item 3. Legal Proceedings" and Note 15 to the Financial Statements for more information.

Newsprint Prices May Continue to Be Volatile and Difficult to Predict and Control.

Newsprint is one of the largest expenses of the Company's newspaper publishing units. During the three months ended June 30, 2016, the Company's average cost per ton of newsprint was approximately 16% lower than its historical average annual cost per ton over the past five fiscal years on a constant currency basis. The price of newsprint has historically been volatile and the consolidation of newsprint mills over the years has reduced the number of suppliers, which has led to increases in newsprint prices. Failure to maintain the Company's current consumption levels, further supplier consolidation or the inability to maintain the Company's existing relationships with its newsprint suppliers could adversely impact newsprint prices in the future.

The Company's International Operations Expose it to Additional Risks that Could Adversely Affect its Business, Operating Results and Financial Condition.

In its fiscal year ended June 30, 2016, approximately 54% of the Company's revenues were derived outside the U.S., and the Company is focused on expanding the international scope of its operations. There are risks inherent in doing business internationally, including (1) issues related to managing international operations; (2) economic uncertainty and volatility in local markets and political or social instability; (3) potentially adverse

Technological Developments May Increase the Threat of Content Piracy and Limit the Company's Ability to Protect Its Intellectual Property Rights.

The Company seeks to limit the threat of content piracy; however, policing unauthorized use of its products and services and related intellectual property is often difficult and the steps taken by the Company may not in every case prevent infringement by unauthorized third parties. Developments in technology increase the threat of content piracy by making it easier to duplicate and widely distribute pirated material. The Company has taken, and will continue to take, a variety of actions to combat piracy, both individually and, in some instances, together with industry associations. However, protection of the Company's intellectual property rights is dependent on the scope and duration of its rights as defined by applicable laws in the U.S. and abroad and the manner in which

Risks Related to the Company's Separation from 21st Century Fox

If the Separation, Together with Certain Related Transactions, Were Ultimately Determined to be Taxable Transactions for U.S. Federal and/or Other Jurisdictions' Income Tax Purposes, then the Company, 21st Century Fox and Its Stockholders Could Be Subject to Significant Tax Liability, and the Company may be Required to Indemnify 21st Century Fox for Tax-Related Liabilities Incurred by 21st Century Fox.

The Separation and Distribution Agreement May Restrict the Company From Acquiring or Owning Certain Types of Assets in the U.S.

The Federal Communications Commission (“FCC”) has promulgated certain rules and regulations that limit the ownership of radio and television broadcast stations, television broadcast networks and newspapers (the “Broadcast Ownership Rules”) and place commercial restrictions on a cable network programmer in which a cable television operator holds an ownership interest (the “Program Access Rules”). Under the FCC’s rules for determining ownership of the media assets described above, the Murdoch Family Trust’s ownership interest in both the Company and 21st Century Fox following the Separation would generally result in each company’s businesses and assets being attributable to the Murdoch Family Trust for purposes of determining compliance with the Broadcast Ownership Rules and the Program Access Rules. Consequently, the Company’s future conduct, including its acquisition of any newspapers in the same local markets in which 21st Century Fox owns or operates television stations or the Company’s acquisition of an ownership interest in a cable operator, may affect 21st Century Fox’s ability to own and operate its television stations or otherwise comply with the Broadcast Ownership Rules, or may subject 21st Century Fox to the Program Access Rules. Therefore, the Company and 21st Century Fox agreed in the Separation and Distribution Agreement that if the Company acquires, after the Distribution Date, newspapers, radio or television broadcast stations or television broadcast networks in the U.S. and such acquisition would impede or be reasonably likely to impede 21st Century Fox’s business, then the Company will be required to take certain actions, including divesting assets, in order to permit 21st Century Fox to hold its media interests and to comply with such rules. In addition, the Company will be prohibited from acquiring an interest in a multichannel video programming distributor, including a cable television operator, if such acquisition would subject 21st Century Fox to the Program Access Rules to which it is not then subject. This agreement effectively limits the activities or strategic business alternatives available to the Company if such activities or strategic business alternatives implicate the Broadcast Ownership Rules or Program Access Rules and would impede or be reasonably likely to impede 21st Century Fox’s business.

The Indemnification Arrangements the Company Entered Into With 21st Century Fox in Connection With the Separation May Require the Company to Divert Cash to Satisfy Indemnification Obligations to 21st Century Fox.

Pursuant to the Separation and Distribution Agreement and certain other related agreements, 21st Century Fox agreed to indemnify the Company for certain liabilities, and the Company agreed to indemnify 21st Century Fox for certain liabilities. As a result, the Company could be required, under certain circumstances, to indemnify 21st Century Fox and its affiliates against certain liabilities to the extent such liabilities result from an action the Company or its affiliates take or from any breach of the Company or its affiliates’ representations, covenants or obligations under the Separation and Distribution Agreement, Tax Sharing and Indemnification Agreement or any other agreement the Company entered into in connection with the Separation. The diversion of cash that may occur if the Company is required to indemnify 21st Century Fox under these agreements could limit the Company’s ability to grow its businesses or capitalize on acquisition opportunities.

Certain of the Company’s Directors and Officers May Have Actual or Potential Conflicts of Interest Because of Their Equity Ownership in 21st Century Fox, and Certain of the Company’s Officers and Directors May Have Actual or Potential Conflicts of Interest Because They Also Serve as Officers and/or on the Board of Directors of 21st Century Fox, Which May Result in the Diversion of Corporate Opportunities to 21st Century Fox.

Certain of the Company’s directors and executive officers own shares of 21st Century Fox’s common stock, and the individual holdings may be significant for some of these individuals compared to their total assets. In addition, certain of the Company’s officers and directors also serve as officers and/or as directors of 21st Century Fox, including K. Rupert Murdoch, who serves as the Company’s Executive Chairman and Executive Chairman of 21st Century Fox, and Lachlan K. Murdoch, who serves as the Company’s Co-Chairman and Executive Chairman of 21st Century Fox. This ownership or service to both companies may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for the Company and 21st Century Fox. For example, potential conflicts of interest could

arise in connection with the resolution of any dispute that may arise between the Company and 21st Century Fox regarding the terms of the agreements governing the internal reorganization, the Separation and the relationship thereafter between the companies, including with respect to the indemnification of certain matters. In addition to any other arrangements that the Company and 21st Century Fox may agree to implement, the Company and 21st Century Fox have agreed that officers and directors who serve at both companies will recuse themselves from decisions where conflicts arise due to their positions at both companies.

The Company's Restated Certificate of Incorporation acknowledges that the Company's directors and officers, as well as certain of its stockholders, including K. Rupert Murdoch, certain members of his family and certain family trusts (so long as such persons continue to own, in the aggregate, 10% or more of the voting stock of each of the Company and 21st Century Fox), each of which is referred to as a covered stockholder, are or may become stockholders, directors, officers, employees or agents of 21st Century Fox and certain of its affiliates. The Company's Restated Certificate of Incorporation provides that any such overlapping person will not be liable to the Company, or to any of its stockholders, for breach of any fiduciary duty that would otherwise exist because such individual directs a corporate opportunity (other than certain limited types of restricted business opportunities set forth in the Company's Restated Certificate of Incorporation) to 21st Century Fox instead of the Company. As 21st Century Fox does not have a similar provision regarding corporate opportunities in its certificate of incorporation, the provisions in the Company's Restated Certificate of Incorporation could result in an overlapping person submitting any corporate opportunities other than restricted business opportunities to 21st Century Fox instead of the Company.

Risks Related to the Company's Common Stock

The Market Price of the Company's Stock May Fluctuate Significantnot of the Thedg-254(su-251(covepdit(officers)(21vche)-253(is)-

- special stockholders' meeting to be called only by the Chief Executive Officer, the Board of Directors, or the holders of not less than 20% of the voting power of the Company's outstanding voting stock;
- the requirement that stockholders give the Company advance notice to nominate candidates for election to the Board of Directors or to make stockholder proposals at a stockholders' meeting;
- the requirement of an affirmative vote of at least 65% of the voting power of the Company's outstanding voting stock to amend or repeal its by-laws;
- certain restrictions on the transfer of the Company's shares; and
- the Board of Directors to issue, without stockholder approval, Preferred Stock and Series Common Stock with such terms as the Board of Directors may determine.

These provisions could discourage potential acquisition proposals and could delay or prevent a change in control of the Company, even in the case where a majority of the stockholders may consider such proposals, if effective, desirable.

In addition, in connection with the Separation, the Company's Board of Directors adopted a stockholder

- (b) The leased offices and studios of FOX SPORTS Australia in Sydney, Australia;
- (c) The leased offices and studios of FOX SPORTS Australia in Melbourne, Australia;
- (d) The leased corporate offices of REA Group in Melbourne, Australia; and
- (e) The leased office space of Dow Jones in Hong Kong.

ITEM 3. LEGAL PROCEEDINGS

The Company routinely is involved in various legal proceedings, claims and governmental inspections or investigations, including those discussed below.

U.K. Newspaper Matters and Related Investigations and Litigation

On July 19, 2011, a purported class action lawsuit captioned *Wilder v. News Corp., et al.* was filed on behalf of all purchasers of 21st Century Fox's common stock between March 3, 2011 and July 11, 2011, in the U.S. District Court for the Southern District of New York (the "Wilder Litigation"). The plaintiff brought claims under Section 10(b) and Section 20(a) of the Exchange Act, alleging that false and misleading statements were issued regarding alleged acts of voicemail interception at *The News of the World*. The suit named as defendants 21st Century Fox, Rupert Murdoch, James Murdoch and Rebekah Brooks, and sought compensatory damages, rescission for damages sustained and costs.

On June 5, 2012, the District Court issued an order appointing the Avon Pension Fund ("Avon") as lead plaintiff and Robbins Geller Rudman & Dowd as lead counsel. Avon filed an amended consolidated complaint on July 31, 2012, which among other things, added as defendants the Company's subsidiary, NI Group Limited (now known as News Corp UK & Ireland Limited), and Les Hinton, and expanded the class period to comprise February 15, 2011 to July 18, 2011. Defendants filed motions to dismiss the litigation, which were granted by the District Court on March 31, 2014. Plaintiffs were allowed to amend their complaint, and on April 30, 2014, plaintiffs filed a second amended consolidated complaint, which generally repeated the allegations of the amended consolidated complaint and also expanded the class period to comprise July 8, 2009 to July 18, 2011. Defendants moved to dismiss the second amended consolidated complaint, and on September 30, 2015, the District Court granted defendants' motions in their entirety and dismissed all of plaintiffs' claims. In its memorandum, opinion and order relating to the dismissal, the District Court gave plaintiffs until November 6, 2015 to file a motion for leave to amend their complaint. On October 21, 2015, plaintiffs filed a motion for reconsideration of the District Court's memorandum, opinion and order, which defendants have opposed. The Company's management believes these claims are entirely without merit and intends to vigorously defend this action. As described below, the Company will be indemnified by 21st Century Fox for certain payments made by the Company that relate to, or arise from, the U.K. Newspaper Matters (as defined below), including all payments in connection with the Wilder Litigation.

In addition, civil claims have been brought against the Company with respect to, among other things,

The Company incurred gross legal and professional fees related to the U.K. Newspaper Matters and costs for civil settlements totaling approximately \$42 million, \$101 million and \$169 million for the fiscal years ended

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

News Corporation’s Class A Common Stock and Class B Common Stock are listed and traded on The NASDAQ Global Select Market (“NASDAQ”), its principal market, under the symbols “NWSA” and “NWS,” respectively. CHES Depository Interests (“CDIs”) representing the Company’s Class A Common Stock and Class B Common Stock are listed and traded on the Australian Securities Exchange (“ASX”) under the symbols “NWSLV” and “NWS,” respectively. As of June 30, 2016, there were approximately 25,000 holders of record of shares of Class A Common Stock and 760 holders of record of shares of Class B Common Stock.

The following table sets forth, for the fiscal periods indicated, the high and low sales prices for the Class A Common Stock and Class B Common Stock, as reported on NASDAQ.

	<u>Class B Common Stock</u>		<u>Class A Common Stock</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Fiscal year ended June 30, 2015:				
First Quarter	\$17.82	16.01	18.41	16.33
Second Quarter	16.61	14.09	16.96	14.28
Third Quarter	17.11	14.25	17.55	14.68
Fourth Quarter	16.24	13.88	16.45	14.17
Fiscal year ended June 30, 2016:				
First Quarter	15.62	12.62	15.92	12.63
Second Quarter	15.74	12.24	15.68	12.16
Third Quarter	14.45	10.74	13.81	10.21
Fourth Quarter	13.55	10.90	13.06	10.54

Dividends

In February 2016, the Company’s Board of Directors (the “Board of Directors”) declared a semi-annual cash dividend of \$0.10 per share of Class A Common Stock and Class B Common Stock. This dividend was paid on April 13, 2016 to stockholders of record at the close of business on March 9, 2016. In August 2015, the Board of Directors declared a semi-annual cash dividend of \$0.10 per share of Class A Common Stock and Class B Common Stock. This dividend was paid on October 21, 2015 to stockholders of record at the close of business on September 16, 2015. No dividends were declared or paid in fiscal 2015. The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Board of Directors. The Board of Directors’ decisions regarding the payment of future dividends will depend on many factors, including the Company’s financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the Board of Directors deems relevant.

Issuer Purchases of Equity Securities

In May 2013, the Board of Directors authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. On May 10, 2015, the Company announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. Through August 5, 2016 the Company repurchased approximately 5.2 million shares of Class A Common Stock for an aggregate purchase price of approximately \$71 million. The remaining authorized amount under the stock repurchase program as of August 5, 2016 was approximately \$429 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee’s decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company’s financial condition, earnings, capital requirements and debt facility covenants, other contractual

restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated and combined financial data should be read in conjunction with “Item 7—

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis contains statements that constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act of 1933, as amended. All statements that are not statements of historical fact are forward-looking statements. The words “expect,” “estimate,” “anticipate,” “predict,” “believe” and similar expressions and variations thereof are intended to identify forward-looking statements. These statements appear in a number of places in this discussion and analysis and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company’s financial condition or results of operations and the outcome of contingencies such as litigation and investigations. Readers are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements is set forth under the heading “Risk Factors” in Item 1A of this Annual Report on Form 10-K (the “Annual Report”). The Company does not ordinarily make projections of its future operating results and undertakes no obligation (and expressly disclaims any obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Readers should carefully review this document and the other documents filed by the Company with the Securities and Exchange Commission (the “SEC”). This section should be read together with the Consolidated Financial Statements of News Corporation and related notes set forth elsewhere in this Annual Report.

INTRODUCTION

News Corporation (together with its subsidiaries, “News Corporation,” “News Corp,” the “Company,” “we,” or “us”) is a global diversified media and information services company comprised of businesses across a range of media, including: news and information services, book publishing, digital real estate services, cable network programming in Australia and pay-TV distribution in Australia.

During the first quarter of fiscal 2016, management approved a plan to dispose of the Company’s digital education business. As a result of the plan and the discontinuation of further significant business activities in the Digital Education segment, the assets and liabilities of this segment were classified as held for sale and the results of operations have been classified as discontinued operations for all periods presented. Unless indicated otherwise, the information in the notes to the Consolidated Financial Statements relates to the Company’s continuing operations. (See Note 4 to the Consolidated Financial Statements).

The consolidated financial statements are referred to herein as the “Consolidated Financial Statements.” The consolidated statements of operations are referred to herein as the “Statements of Operations.” The consolidated balance sheets are referred to herein as the “Balance Sheets.” The consolidated statements of cash flows are referred to herein as the “Statements of Cash Flows.” The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

Management’s discussion and analysis of financial condition and results of operations is intended to help provide an understanding of the Company’s financial condition, changes in financial condition and results of operations. This discussion is organized as follows:

- **O f C ’s B s ss**—This section provides a general description of the Company’s businesses, as well as developments that occurred during fiscal 2016, fiscal 2015 and fiscal 2014 that the Company believes are important in understanding its results of operations and financial condition or to disclose known trends.
- **s s f O s**—This section provides an analysis of the Company’s results of operations for the three fiscal years ended June 30, 2016, respectively. This analysis is presented on a consolidated basis

and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed. The Company's fiscal year ends on the Sunday closest to June 30. Fiscal 2016, fiscal 2015 and fiscal 2014 include 53, 52 and 52 weeks, respectively. As a result, the Company has referenced the impact of the 53rd week, where applicable, when providing analysis of the results of operations.

- **L** **C** **s** **s**—This section provides an analysis of the Company's cash flows for the three fiscal years ended June 30, 2016, respectively, as well as a discussion of the Company's financial arrangements and outstanding commitments, both firm and contingent, that existed as of June 30, 2016.
- **C** **A** **s**—This section discusses accounting policies considered important to the Company's financial condition and results of operations, and which require significant judgment and estimates on the part of management in application. In addition, Note 2 to the Consolidated Financial Statements summarizes the Company's significant accounting policies, including the critical accounting policy discussion found in this section.

OVERVIEW OF THE COMPANY'S BUSINESSES

The Company manages and reports its businesses in the following five segments:

- **N** **s** **I** **f** **s**—The News and Information Services segment includes the global print and digital product offerings of *The Wall Street Journal* and the Dow Jones Media Group, which includes

channels distributed via cable, satellite and IP, several interactive viewing applications and broadcast

Book Publishing

The Book Publishing segment derives revenues from the sale of general fiction, nonfiction, children's and religious books in the U.S. and internationally. The revenues and operating results of the Book Publishing segment are significantly affected by the timing of releases and the number of its books in the marketplace. The book publishing marketplace is subject to increased periods of demand during the end-of-year holiday season in its main operating geographies. This marketplace is highly competitive and continues to change due to technological developments and other factors. Each book is a separate and distinct product, and its financial success depends upon many factors, including public acceptance.

Major new title releases represent a significant portion of the Book Publishing segment's sales throughout the fiscal year. Print-based consumer books are generally sold on a fully returnable basis, resulting in the return of unsold books. In the domestic and international markets, the Book Publishing segment is subject to global trends and local economic conditions. Operating expenses for the Book Publishing segment include costs related to paper, printing, authors' royalties, editorial, promotional, art and design expenses. Selling, general and administrative expenses include salaries, employee benefits, rent and other routine overhead.

Digital Real Estate Services

The Digital Real Estate Services segment sells online advertising services on its residential real estate and commercial property sites and also licenses certain professional software products on a subscription basis. Significant expenses associated with these sites and software solutions include development costs, advertising and promotional expenses, hosting and support services, salaries, employee benefits and other routine overhead expenses.

Consumers are increasingly turning to the Internet and mobile devices for real estate information. The Digital Real Estate Services segment's success depends on its continued innovation to provide products and services that make its websites and mobile applications useful for consumers and real estate and mortgage professionals and attractive to its advertisers.

Cable Network Programming

The Cable Network Programming segment consists of FOX SPORTS Australia, which offers the following seven channels in high definition: FOX SPORTS 1, FOX SPORTS 2, FOX SPORTS 3, FOX SPORTS 4, FOX SPORTS 5, FOX FOOTY and FOX SPORTS NEWS. Revenue is primarily derived from monthly affiliate fees received from pay-tv providers (mainly Foxtel) based on the number of subscribers.

FOX SPORTS Australia competes primarily with ESPN, beIN SPORTS, the Free-To-Air ("FTA") channels and certain telecommunications companies in Australia.

The most significant operating expenses of the Cable Network Programming segment are the acquisition and production expenses related to programming and the expenses related to operating the technical facilities of the broadcast operations. The expenses associated with licensing programming rights are recognized during the applicable season or event, which can cause results at the Cable Network Programming segment to fluctuate based on the timing and mix of the Company's local and international sports programming. Other expenses include marketing and promotional expenses related to improving the market visibility and awareness of the channels and their programming. Additional expenses include salaries, employee benefits, rent and other routine overhead expenses.

Other

The Other segment primarily consists of general corporate overhead expenses, the corporate Strategy and Creative Group and costs related to the U.K. Newspaper Matters. The Company's corporate Strategy and Creative Group was formed to identify new products and services across the Company's businesses to increase revenues and profitability and to target and assess potential acquisitions and investments.

The total fair value of iProperty at the acquisition date is set forth below (in millions):

Cash paid for iProperty equity	\$340
Deferred consideration	<u>76</u>
Total consideration	<u>416</u>
Fair value of previously held iProperty investment	<u>120</u>
Total fair value	<u><u>\$536</u></u>

On September 30, 2015, the Company acquired Unruly Holdings Limited (“Unruly”) for approximately £60 million (approximately \$90 million) in cash and up to £56 million (approximately \$86 million) in future cash consideration related to payments primarily contingent upon the achievement of certain performance objectives. Unruly is a leading global video distribution platform that is focused on delivering branded video advertising across websites and mobile devices. Unruly’s results of operations are included within the News and Information Services segment, and it is considered a separate reporting unit for purposes of the Company’s annual goodwill impairment review

In July 2015, the Company acquired Checkout 51 Mobile Apps ULC (“Checkout 51”) for approximately \$13 million in cash at closing and approximately \$10 million in deferred cash consideration which was paid during fiscal 2016. Checkout 51 is a data-driven digital coupon company that provides News America Marketing with a leading receipt recognition mobile app which enables packaged goods companies and brands to reach

In November 2014, SEEKAsia Limited (“SEEK Asia”), in which the Company owned a 12.1% interest, acquired the online employment businesses of JobStreet Corporation Berhad (“JobStreet”), which were combined with JobsDB, Inc., SEEK Asia’s existing online employment business. The transaction was funded primarily through additional contributions by SEEK Asia shareholders which did not have an impact on the Company’s ownership. The Company’s share of the funding contribution was approximately \$60 million. In June 2015, the Company purchased an additional 0.8% interest in SEEK Asia for approximately \$7 million, which increased the Company’s investment to approximately 12.9%. In June 2016, the Company’s interest in SEEK Asia increased to approximately 13.75% as a result of the repurchase and cancellation of shares owned by certain other shareholders.

In August 2014, the Company acquired Harlequin Enterprises Limited (“Harlequin”) from Torstar Corporation for \$414 million in cash, net of \$19 million of cash acquired. Harlequin is a leading publisher of women’s fiction and extends HarperCollins’ global platform, particularly in Europe and Asia Pacific. Harlequin

s s f O s F s 2016 s s F s 2015

The following table sets forth the Company's operating results for fiscal 2016 as compared to fiscal 2015.

	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
	Better/(Worse)			
<i>(in millions, except %)</i>				
Revenues:				
Advertising	\$ 3,644	\$ 3,835	\$(191)	(5)%
Circulation and Subscription	2,569	2,608	(39)	(1)%
Consumer	1,578	1,594	(16)	(1)%
Other	501	487	14	3 %
Total Revenues	8,292	8,524	(232)	(3)%
Operating expenses	(4,728)	(4,952)	224	5 %
Selling, general and administrative	(2,722)	(2,627)	(95)	(4)%
NAM Group and Zillow settlements, net	(158)	—	(158)	**
Depreciation and amortization	(505)	(498)	(7)	(1)%
Impairment and restructuring charges	(89)	(84)	(5)	(6)%
Equity earnings of affiliates	30	58	(28)	(48)%
Interest, net	43	56	(13)	(23)%
Other, net	18	75	(57)	(76)%
Income from continuing operations before income tax benefit				
(expense)	181	552	(371)	(67)%
Income tax benefit (expense)	54	(185)	239	**
Income from continuing operations	235	367	(132)	(36)%
Income (loss) from discontinued operations, net of tax	15	(445)	460	**
Net income (loss)	250	(78)	328	**
Less: Net income attributable to noncontrolling interests	(71)	(69)	(2)	(3)%
Net income (loss) attributable to News Corporation	\$ 179	\$ (147)	\$ 326	**

** not meaningful

Revenues decreased \$232 million, or 3%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The revenue decrease was mainly due to a decrease in revenues at the News and Information Services segment of \$393 million, primarily resulting from the negative impact of foreign currency fluctuations, weakness in the print advertising market and lower free-standing insert product revenues at News America Marketing. The revenue decrease was partially offset by an increase in revenues at the Digital Real Estate Services segment of \$197 million, primarily as a result of the acquisition of Move in November 2014 and increased revenues at REA Group. The impact of the 53rd week in fiscal 2016 resulted in a revenue increase of approximately \$112 million. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Revenue decrease of \$455 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

Operating expenses decreased \$224 million, or 5%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The decrease in Operating expenses was mainly due to a decrease in operating expenses at the News and Information Services segment of \$300 million, primarily as a result of the positive impact of foreign currency fluctuations, lower newsprint, production and distribution costs and the impact of cost savings initiatives. The decrease in Operating expenses was partially offset by higher operating expenses at the Digital Real Estate Services segment due to the acquisition of Move in November 2014 and at the Book Publishing segment primarily due to higher costs associated with increased print book sales. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in an Operating expense decrease of \$199 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

Selling, general and administrative expenses increased \$95 million, or 4%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The increase in Selling, general and administrative expenses was primarily due to higher expenses at the Digital Real Estate Services segment as a result of the acquisition of Move in November 2014 and increased costs in the News and Information Services segment. The increases at the News and Information Services segment were primarily related to the acquisition of Unruly in September 2015 and Checkout 51 in July 2015 as well as increased brand marketing and promotional expenses at the U.K. newspapers. These increases were partially offset by the positive impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a Selling, general and administrative expense decrease of \$186 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

NAMG—During the fiscal year ended June 30, 2016, the Company recognized one-time costs of approximately \$280 million in connection with the settlement of certain litigation and related claims at News America Marketing. In addition, in the three months ended June 30, 2016, the Company recognized a gain of \$122 million in connection with the settlement of litigation with Zillow, Inc. (“Zillow”), which reflects settlement proceeds received from Zillow of \$130 million, less \$8 million paid to the National Association of Realtors® (“NAR”). (See Note 15 to the Consolidated Financial Statements).

D—Depreciation and amortization expense increased \$7 million, or 1%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015, primarily due to increased depreciation and amortization expense at the Digital Real Estate Services segment due to the acquisition of Move in November 2014, partially offset by the positive impact of foreign currency fluctuations. The impact of foreign currency fluctuations of the U.S. dollar against local currencies resulted in a depreciation and amortization expense decrease of \$27 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015.

I—In fiscal 2016, the Company recorded restructuring charges of \$89 million, of which \$79 million related to the News and Information Services segment. The restructuring charges were primarily related to employee termination benefits.

In fiscal 2015, the Company recorded restructuring charges of \$84 million, of which \$75 million related to the News and Information Services segment. The restructuring charges were primarily related to employee termination benefits.

E—Equity earnings of affiliates decreased \$28 million, or 48%, for the fiscal year ended June 30, 2016 as compared to fiscal 2015, primarily as a result of lower net income at Foxtel.

	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
(in millions, except %)				Better/(Worse)
Foxtel ^(a)	\$38	\$59	\$(21)	(36)%
Other equity affiliates, net ^(b)	(8)	(1)	(7)	**
Total Equity earnings of affiliates	<u>\$30</u>	<u>\$58</u>	<u>\$(28)</u>	<u>(48)%</u>

** not meaningful

(a) In accordance with ASC 350, “Intangibles—Goodwill and Other” (“ASC 350”), the Company amortized \$52 million and \$57 million related to excess cost over the Company’s proportionate share of its investment’s underlying net assets allocated to finite-lived intangible assets during the fiscal years ended June 30, 2016 and 2015, respectively. Such amortization is reflected in Equity earnings of affiliates in the Statements of Operations. (See Note 6 to the Consolidated Financial Statements).

For the fiscal year ended June 30, 2016, Foxtel revenues decreased \$279 million, or 10%, as a result of the negative impact of foreign currency fluctuations, which more than offset higher revenues in local currency. Operating income decreased primarily due to the negative net impact of foreign currency fluctuations,

increased investment in programming to support subscriber growth, higher offer costs and continued investment in Presto, partially offset by lower depreciation expense resulting from Foxtel's reassessment of the useful lives of cable and satellite installations. Net income decreased as a result of the lower operating income noted above, partially offset by lower income tax expense.

- (b) Other equity affiliates, net for the fiscal year ended June 30, 2016 includes losses primarily from the Company's interests in Draftstars and Elara Technologies, which owns PropTiger.

I **s**, —Interest, net for the fiscal year ended June 30, 2016 decreased \$13 million, or 23%, as compared to fiscal 2015, primarily due to the negative impact of foreign currency fluctuations and interest expense associated with the REA Facility. (See Note 9 to the Consolidated Financial Statements).

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(in millions)	For the fiscal years ended June 30,	
	2016	2015
Gain on iProperty transaction ^(a)	\$ 29	\$ —
Impairment of marketable securities and cost method investments ^(b)	(21)	(5)
Gain on sale of marketable securities ^(c)	—	29
Dividends received from cost method investments	—	25
Gain on sale of cost method investments	—	15
Other	10	11
Total Other, net	<u>\$ 18</u>	<u>\$ 75</u>

- (a) REA Group recognized a gain of \$29 million resulting from the revaluation of its previously held equity interest in iProperty during the fiscal year ended June 30, 2016. (See Note 3 to the Consolidated Financial Statements).
- (b) The Company recorded write-offs and impairments of certain investments in the fiscal years ended June 30, 2016 and 2015. These write-offs and impairments were taken either as a result of the deteriorating financial position of the investee or due to an other-than-temporary impairment resulting from sustained losses and limited prospects for recovery. (See Note 6 to the Consolidated Financial Statements.)
- (c) In August 2014, REA Group completed the sale of a minority interest held in marketable securities for total cash consideration of \$104 million. As a result of the sale, REA Group recognized a pre-tax gain of \$29 million, which was reclassified out of accumulated other comprehensive income and included in Other, net in the Statement of Operations.

I **f** (**s**)—The Company's income tax benefit and effective tax rate for the fiscal year ended June 30, 2016 were \$54 million and (30%), respectively, as compared to an income tax expense and effective tax rate of \$185 million and 34%, respectively, for fiscal 2015.

For the fiscal years ended June 30, 2016 the Company recorded a tax benefit of \$54 million on pre-tax income of \$181 million resulting in an effective tax rate that was lower than the U.S. statutory tax. The lower tax rate was primarily due to a tax benefit of approximately \$106 million related to the release of previously established valuation allowances related to certain U.S. federal net operating losses and state deferred tax assets. This benefit was recognized in conjunction with management's plan to dispose of the Company's digital education business in the first quarter of fiscal 2016, as the Company now expects to generate sufficient U.S. taxable income to utilize these deferred tax assets prior to expiration. In addition, the effective tax rate was also impacted by the \$29 million non-taxable gain resulting from the revaluation of REA Group's previously held equity interest in iProperty.

For the fiscal year ended June 30, 2015, the Company's effective tax rate was lower than the U.S. statutory tax rate primarily due to the impact from foreign operations which are subject to lower tax rates, partially offset by the impact of nondeductible items and changes in our accrued liabilities for uncertain tax positions. (See Note 18 to the Consolidated Financial Statements).

Income from discontinued operations—For the fiscal year ended June 30, 2016, the Company recorded income from discontinued operations, net of tax, of \$15 million as compared to a loss of \$445 million for fiscal 2015. The income recognized in fiscal 2016 was primarily due to the impact of a \$144 million tax benefit recognized upon reclassification of the Digital Education segment to discontinued operations, a tax benefit of \$30 million related to the current year operations and lower operating losses as a result of the sale of Amplify Insight and Amplify Learning, which more than offset the pre-tax non-cash impairment charge recognized in the first quarter of fiscal 2016 of \$76 million and \$17 million in severance and lease termination charges recognized in the second quarter of fiscal 2016. The loss recognized in fiscal 2015 primarily relates to a non-cash impairment charge of \$371 million recorded in the three months ended June 30, 2015 and a full year of operating losses at Amplify in 2015. (See Note 4 to the Consolidated Financial Statements).

Net income—Net income increased \$328 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015 primarily due to higher income from discontinued operations and the income tax benefit discussed above, partially offset by the negative net impact of the NAM Group and Zillow legal settlements, lower Total Segment EBITDA, the lower contribution from Other, net, lower equity earnings, primarily from Foxtel, and lower Interest, net.

Net income attributable to noncontrolling interests—Net income attributable to noncontrolling interests increased by \$2 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015, due to higher results at REA Group, partially offset by the negative impact of foreign currency fluctuations.

Assets

Segment EBITDA is defined as revenues less operating expenses, and selling, general and administrative expenses and excluding the impact from the NAM Group and Zillow legal settlements. Segment EBITDA does not include: Depreciation and amortization, impairment and restructuring charges, equity earnings of affiliates, interest, net, other, net, income tax benefit (expense) and net income attributable to noncontrolling interests. Segment EBITDA may not be comparable to similarly titled measures reported by other companies, since companies and investors may differ as to what items should be included in the calculation of Segment EBITDA.

Segment EBITDA is the primary measure used by the Company's chief operating decision maker to evaluate the performance of and allocate resources within the Company's businesses. Segment EBITDA provides management, investors and equity analysts with a measure to analyze the operating performance of each of the Company's business segments and its enterprise value against historical data and competitors' data, although historical results may not be indicative of future results (as operating performance is highly contingent on many factors, including customer tastes and preferences). The Company believes that information about Segment EBITDA allows users of its Consolidated Financial Statements to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income (loss), thus providing insight into both operations and the other factors that affect reported results.

Total Segment EBITDA is a non-GAAP measure and should be considered in addition to, not as a substitute for, net income (loss), cash flow and other measures of financial performance reported in accordance with GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment and restructuring charges, which are significant components in assessing the Company's financial performance. The following table reconciles Total Segment EBITDA to income from continuing operations.

	For the fiscal years ended June 30,			
	2016	2015	Change	% Change
(in millions, except %)				Better/(Worse)
Revenues	\$ 8,292	\$ 8,524	\$(232)	(3)%
Operating expenses	(4,728)	(4,952)	224	5 %
Selling, general and administrative expenses	(2,722)	(2,627)	(95)	(4)%
NAM Group and Zillow settlements, net	(158)	—	(158)	**
Total Segment EBITDA	684	945	(261)	(28)%
Depreciation and amortization	(505)	(498)	(7)	(1)%
Impairment and restructuring charges	(89)	(84)	(5)	(6)%
Equity earnings of affiliates	30	58	(28)	(48)%
Interest, net	43	56	(13)	(23)%
Other, net	18	75	(57)	(76)%
Income from continuing operations before income tax benefit				
(expense)	181	552	(371)	(67)%
Income tax benefit (expense)	54	(185)	239	**
Income from continuing operations	\$ 235	\$ 367	\$(132)	(36)%

** not meaningful

	For the fiscal years ended June 30,			
	2016		2015	
(in millions)	Revenues	Segment EBITDA	Revenues	Segment EBITDA
News and Information Services	\$ 5,338	\$ 214	\$ 5,731	\$ 603
Book Publishing	1,646	185	1,667	221
Digital Real Estate Services	822	344	625	201
Cable Network Programming	484	124	500	135
Other	2	(183)	1	(215)
Total	\$ 8,292	\$ 684	\$ 8,524	\$ 945

N s If
2015, respectively)

s (64% and 67% of the Company's consolidated revenues in fiscal 2016 and

For the fiscal years ended June 30,	
2016	2015

News UK

Revenues at the U.K. newspapers for the fiscal year ended June 30, 2016 decreased 10% as compared to

fiscal 2015. Digital sales represented 19% of Consumer revenues during fiscal 2016. Digital sales decreased 15% as compared to fiscal 2015 due to an industry-wide decline in e-book sales and the lower contribution from the *Divergent* series. During the fiscal year ended June 30, 2016, HarperCollins had 239 titles on The New York Times Bestseller List, with 30 titles reaching the number one position. The impact of the 53rd week in fiscal 2016 resulted in a revenue increase of approximately \$19 million.

For the fiscal year ended June 30, 2016, Segment EBITDA at the Book Publishing segment decreased \$36 million, or 16%, as compared to fiscal 2015. The decrease was primarily due to the industry-wide decline in e-book sales and lower contribution from the *Divergent* series and *American Sniper*, partially offset by cost savings initiatives and the contribution from higher print book sales, including *Go Set a Watchman* by Harper Lee.

D *Es* *s* (10% and 7% of the Company's consolidated revenues in fiscal 2016 and 2015, respectively)

For the fiscal years ended June 30,

s s f O s F s 2015 s s F s 2014

The following table sets forth the Company's operating results for fiscal 2015 as compared to fiscal 2014.

, s s Selling, general and administrative expenses increased \$178 million, or 7%, for the fiscal year ended June 30, 2015 as compared to fiscal 2014. The increase in Selling, general and administrative expenses was primarily due to higher expenses at the Digital Real Estate Services segment, primarily as a result of the acquisition of Move, including one-time transaction costs associated with the acquisition of \$19 million, higher expenses at the Book Publishing segment, primarily as a result of the acquisition of Harlequin, increased legal costs of \$20 million at News America Marketing and the impact of dual rent and other facility related costs of \$13 million. These increases were partially offset by t of. 61.1(expe0(t58(of)-252(dualrent)-255-251(-257(pr-time)administr(Publishing)-256.1(segment,)-257(primarily)-263.1(as)-252(ato)-252(higher)-2acquisition)-261.1(os-25)

primarily due to the negative net impact of foreign currency fluctuations and short-term impacts related to investment in key initiatives: the new Foxtel pricing and packaging, increased investment in Presto and the launch of Triple Play. For the fiscal year ended June 30, 2015 Foxtel net income of \$232 million decreased from \$304 million in the prior year as a result of the decrease in operating income discussed above, partially offset by favorable fair value movements on hedged items.

I *s*, —Interest, net for the fiscal year ended June 30, 2015 decreased \$12 million, or 18%, as compared to fiscal 2014, primarily due to a lower overall cash balance during the fiscal year ended June 30, 2015 and the negative impact of foreign currency fluctuations.

O , *v*

For the fiscal years ended June 30,

Total Segment EBITDA is a non-GAAP measure and should be considered in addition to, not as a substitute for, net (loss) income, cash flow and other measures of financial performance reported in accordance with GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as depreciation and amortization and impairment and restructuring charges, which are significant components in assessing the Company's financial performance. The following table reconciles Total Segment EBITDA to Income from continuing operations.

For the fiscal years ended June 30,			
2015	2014	Change	Change %

For the fiscal year ended June 30, 2015, revenues at the News and Information Services segment decreased \$422 million, or 7%, as compared to fiscal 2014. The revenue decrease was primarily due to lower advertising revenues of \$366 million as compared to fiscal 2014, primarily resulting from lower print advertising revenues throughout the segment. Circulation and subscription revenues for the fiscal year ended June 30, 2015 decreased \$86 million as compared to fiscal 2014, primarily as a result of the negative impact of foreign currency fluctuations. Other revenues for the fiscal year ended June 30, 2015 increased \$30 million, primarily due to increased other revenues at News Corp Australia.

For the fiscal year ended June 30, 2015, Segment EBITDA at the News and Information Services segment decreased \$62 million, or 9%, as compared to fiscal 2014. The decrease was primarily due to a decrease at News America Marketing of \$20 million, due to increased legal expenses of \$20 million, as decreased advertising revenues were offset by lower operating costs, a decrease at Dow Jones of \$16 million, primarily due to lower revenues, partially offset by lower expenses related to volume declines and the impact of cost savings initiatives, a decrease at the Australian newspapers of \$10 million due to the negative net impact of foreign currency fluctuations, which more than offset lower expenses and the impact of cost savings initiatives, and a decrease at the U.K. newspapers of \$10 million. The decrease at the U.K. newspapers was principally as a result of lower revenues, the impact of dual rent and other facility related costs of \$13 million, one-time expenses of \$11 million

News America Marketing

Revenues at News America Marketing decreased 7% for the fiscal year ended June 30, 2015 as compared to fiscal 2014, primarily due to decreased revenues for free-standing insert products of \$87 million.

B s (20% and 17% of the Company's consolidated revenues in fiscal 2015 and 2014, respectively)

<u>For the fiscal years ended June 30,</u>	
<u>2015</u>	<u>2014</u>

D
respectively)

Es

s (7% and 5% of the Company's consolidated revenues in fiscal 2015 and 2014,

<u>For the fiscal years ended June 30,</u>			
<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>

O (0% of the Company's consolidated revenues in fiscal 2015 and 2014)

	For the fiscal years ended June 30,			
	2015	2014	Change	% Change
	Better/(Worse)			
<i>(in millions, except %)</i>				
Revenues:				
Advertising	\$ 1	\$ —	\$ 1	**
Total Revenues	1	—	1	**
Operating expenses	(7)	(1)	(6)	**
Selling, general and administrative	(209)	(240)	31	13%
Segment EBITDA	\$(215)	\$(241)	\$26	11%

** —not meaningful

Segment EBITDA at the Other segment for the fiscal year ended June 30, 2015 increased \$26 million, or 11%, as compared to fiscal 2014. Segment EBITDA increased primarily due to lower costs associated with the U.K. Newspaper Matters. The net expense related to the U.K. Newspaper Matters included in Selling, general and administrative expenses was \$50 million for the fiscal year ended June 30, 2015 as compared to \$72 million in fiscal 2014.

LIQUIDITY AND CAPITAL RESOURCES

C F C

The Company's principal source of liquidity is internally generated funds and cash and cash equivalents on hand. As of June 30, 2016, the Company's cash and cash equivalents were \$1,832 million. The Company expects these elements of liquidity will enable it to meet its liquidity needs in the foreseeable future. In October 2013, the Company established a revolving credit facility of \$650 million, which terminates on October 23, 2020. The Company may request that the commitments be extended under certain circumstances as set forth in the credit agreement and may also request increases in the amount of the facility up to a maximum amount of \$900 million. In addition, the Company expects to have access to the worldwide capital markets, subject to market conditions, in order to issue debt if needed or desired. Although the Company believes that its cash on hand and future cash from operations, together with its access to the capital markets, will provide adequate resources to fund its operating and financing needs, its access to, and the availability of, financing on acceptable terms in the future will be affected by many factors, including: (i) the Company's performance, (ii) its credit rating or absence of a credit rating, (iii) the liquidity of the overall capital markets and (iv) the current state of the economy. There can be no assurances that the Company will continue to have access to the capital markets on acceptable terms. See Part I, "Item 1A. Risk Factors" for further discussion.

As of June 30, 2016, the Company's consolidated assets included \$813 million in cash and cash equivalents that was held by its foreign subsidiaries. \$95 million of this amount is cash not readily accessible by the Company as it is held by REA Group, a majority owned but separately listed public company. REA Group must declare a dividend in order for the Company to have access to its share of REA Group's cash balance. Additionally, the Company has specifically set aside \$315 million of cash for use in the Wireless Group Offer and has classified it as restricted cash as of June 30, 2016. The Company earns income outside the U.S., which is deemed to be permanently reinvested in certain foreign jurisdictions. The Company does not currently intend to repatriate these earnings. Should the Company require more capital in the U.S. than is generated by and/or available to its domestic operations, the Company could elect to transfer funds held in foreign jurisdictions. The transfer of funds from foreign jurisdictions may be cumbersome due to local regulations, foreign exchange controls and withholding taxes. Additionally, the transfer of funds from foreign jurisdictions may result in higher effective tax rates and higher cash paid for income taxes for the Company.

The principal uses of cash that affect the Company's liquidity position include the following: operational expenditures including employee costs; paper purchases; capital expenditures; income tax payments; investments in associated entities and acquisitions. In addition to the acquisitions and dispositions disclosed elsewhere, the Company has evaluated, and expects to continue to evaluate, possible future acquisitions and dispositions of certain businesses. Such transactions may be material and may involve cash, the issuance of the Company's securities or the assumption of indebtedness.

Issuance of Class A Common Stock

In May 2013, the Board of Directors authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. On May 10, 2015, the Company announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. Through August 5, 2016, the Company repurchased approximately 5.2 million shares of Class A Common Stock for an aggregate purchase price of approximately \$71 million. The remaining authorized amount under the stock repurchase program as of August 5, 2016 was approximately \$429 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee's decisions regarding future stock repurchases will be evaluated from time to time in light of many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased. The total number and value of shares repurchased for the fiscal years ended June 30, 2016, 2015 and 2014 are as follows:

	<u>For the fiscal years ended June 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(in millions)		
Total cost of repurchases	\$ 39	\$ 32	—
Total number of shares repurchased	3.1	2.1	—

Dividends

Dividends declared and paid per share on both the Company's Class A Common Stock and Class B Common Stock totaled \$0.20 for the fiscal year ended June 30, 2016. No dividends were declared or paid in fiscal 2015 or fiscal 2014.

Operating Activities

Net cash provided by operating activities for the fiscal years ended June 30, 2016 and 2015 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2016</u>	<u>2015</u>
Net cash provided by operating activities from continuing operations	\$952	\$988

Net cash provided by operating activities decreased by \$36 million for the fiscal year ended June 30, 2016 as compared to fiscal 2015. The decrease was primarily due to lower dividends received from Foxtel and cost method investments of \$104 million and higher restructuring payments of \$44 million during the fiscal year ended June 30, 2016. The decrease was offset by net proceeds received in fiscal 2016 from the Zillow litigation settlement of \$122 million and a benefit in working capital related to the 53rd week.

Net cash used in investing activities for the fiscal years ended June 30, 2016 and 2015 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2016</u>	<u>2015</u>
Net cash used in investing activities from continuing operations	\$(1,124)	\$(1,671)

The Company had net cash used in investing activities of \$1,124 million for the fiscal year ended June 30, 2016 as compared to net cash used in investing activities of \$1,671 million for fiscal 2015. During the fiscal year ended June 30, 2016, the Company used \$520 million of cash for acquisitions, primarily for the acquisitions of iProperty, Unruly, DIAKRIT, Flatmates and Checkout 51. The Company also has capital expenditures of \$256 million in fiscal 2016. Additionally, the Company has set aside \$315 million of cash for use in the Wireless Group Offer as a result of U.K. takeover regulations and has classified this as restricted cash.

During the fiscal year ended June 30, 2015, the Company used \$1,190 million of cash for acquisitions, primarily the acquisitions of Move and Harlequin, and used \$355 million of cash for investments, primarily consisting of approximately \$112 million for its investment in APN, \$100 million for its investment in iProperty and approximately \$67 million for its investment in SEEK Asia. The Company also had capital expenditures of \$308 million which included \$50 million related to the relocation of the Company’s U.K. operations to a new site in London. The net cash used in investing activities for the fiscal year ended June 30, 2015 was partially offset by proceeds from dispositions of \$182 million, primarily resulting from the sale of marketable securities.

Net cash provided by (used in) financing activities for the fiscal years ended June 30, 2016 and 2015 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2016</u>	<u>2015</u>
Net cash provided by (used in) financing activities from continuing operations	\$150	\$(190)

The Company had net cash provided by financing activities of \$150 million for the fiscal year ended June 30, 2016 as compared to net cash used in financing activities of \$190 million for fiscal 2015. During the fiscal year ended June 30, 2016 the Company had proceeds from borrowings under the REA Facility of approximately \$340 million. The net cash provided by financing activities for the fiscal year ended June 30, 2016 was partially offset by dividend payments of \$116 million to News Corporation stockholders and repurchases of News Corporation shares for \$41 million.

Cash used in financing activities for the fiscal year ended June 30, 2015 was primarily the result of the repayment of debt assumed in the acquisition of Move of approximately \$129 million and repurchases of News Corporation shares for \$30 million.

s s s f C s v F s 2015 s s F s 2014

Net cash provided by operating activities for the fiscal years ended June 30, 2015 and 2014 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2015</u>	<u>2014</u>
Net cash provided by operating activities from continuing operations	\$988	\$1,029

Net cash provided by operating activities decreased by \$41 million for the fiscal year ended June 30, 2015 as compared to fiscal 2014. The decrease was primarily due to the absence of the net receipts related to a foreign tax refund of \$73 million and lease incentives of \$35 million received during the fiscal year ended June 30, 2014, as well as higher net tax payments of \$54 million in the fiscal year ended June 30 2015. The decrease in the fiscal year ended June 30, 2015 was partially offset by lower pension contributions of \$92 million, lower restructuring payments of \$55 million and lower payments for fees and costs related to the U.K. Newspaper Matters of \$31 million. The impact of foreign currency fluctuations of the U.S dollar against local currencies resulted in an operating cash flow decrease of approximately \$55 million, or 6%.

Net cash used in investing activities for the fiscal years ended June 30, 2015 and 2014 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2015</u>	<u>2014</u>
Net cash used in investing activities from continuing operations	\$(1,671)	\$(285)

The Company had net cash used in investing activities of \$1,671 million for the fiscal year ended June 30, 2015 as compared to net cash used in investing activities of \$285 million for fiscal 2014. During the fiscal year ended June 30, 2015, the Company used \$1,190 million of cash for acquisitions, primarily the acquisitions of Move and Harlequin, and used \$355 million of cash for investments, primarily consisting of approximately \$112 million for its investment in APN, \$100 million for its investment in iProperty and approximately \$67 million for its investment in SEEK Asia. The Company also had capital expenditures of \$308 million which included \$50 million related to the relocation of the Company’s operations to a new site in London. The net cash used in investing activities for the fiscal year ended June 30, 2015 was partially offset by proceeds from dispositions of \$182 million, primarily resulting from the sale of marketable securities.

During the fiscal year ended June 30, 2014, the Company had capital expenditures of \$358 million and made investments of \$84 million, primarily in marketable securities. In fiscal 2014, the Company utilized \$45 million for acquisitions, primarily to acquire Storyful. The net cash used in investing activities for the fiscal year ended June 30, 2014 was partially offset by proceeds from dispositions of \$202 million, primarily resulting from the sale of the Dow Jones Local Media Group.

Net cash (used in) provided by financing activities for the fiscal years ended June 30, 2015 and 2014 was as follows (in millions):

<u>For the fiscal years ended June 30,</u>	<u>2015</u>	<u>2014</u>
Net cash (used in) provided by financing activities from continuing operations	\$(190)	\$189

The change in net cash used in financing activities for the fiscal year ended June 30, 2015 as compared to the net cash provided by financing activities in fiscal 2014 was primarily due to the repayment of debt assumed in the acquisition of Move of approximately \$129 million and repurchase of News Corp shares for \$30 million during the fiscal year ended June 30, 2015.

Cash provided from financing activities for the fiscal year ended June 30, 2014 is attributable to net transfers from 21st Century Fox and its affiliates of \$217 million.

f F C s F A N s C

Free cash flow available to News Corporation is a non-GAAP financial measure defined as net cash provided by operating activities from continuing operations, less capital expenditures (“free cash flow”) less REA Group free cash flow, plus cash dividends received from REA Group. Free cash flow available to News Corporation excludes cash flows from discontinued operations. Free cash flow should be considered in addition to, not as a substitute for, cash flows from continuing operations and other measures of financial performance reported in accordance with GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies, since companies and investors may differ as to what items should be included in the calculation of Free Cash Flow.

The Company considers free cash flow available to News Corporation to provide useful information to management and investors about the amount of cash generated by the business after capital expenditures which can then be used for strategic opportunities including, among others, investing in the Company’s business, strategic acquisitions, strengthening the Company’s balance sheet, dividend payouts and repurchasing stock. A limitation of free cash flow available to News Corporation is that it does not represent the total increase or

decrease in the cash balance for the period. Management compensates for the limitation of free cash flow available to News Corporation by also relying on the net change in cash and cash equivalents as presented in the Statements of Cash Flows prepared in accordance with GAAP which incorporate all cash movements during the period.

The following table presents a reconciliation of net cash provided by continuing operating activities to free cash flow available to News Corporation:

	For the fiscal years ended June 30,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(in millions)		
Net cash provided by operating activities	\$ 952	\$ 988	\$1,029
Less: Capital expenditures	<u>(256)</u>	<u>(308)</u>	(358)

Interest on borrowings under the Facility is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement. The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement, which varies based on the Company's adjusted operating income leverage ratio. As of June 30, 2016, the Company was paying a commitment fee of 0.225% on any undrawn balance and an applicable margin of 0.50% for a Base Rate borrowing and 1.50% for a Eurodollar Rate borrowing.

As of the date of this filing, the Company has not borrowed any funds under the Facility.

EA G s L F

REA Group entered into a A\$480 million unsecured syndicated revolving loan facility agreement in connection with the acquisition of iProperty. The REA Facility consists of three sub facilities of A\$120 million, A\$120 million and A\$240 million which become due in December 2017, December 2018 and December 2019, respectively. In February 2016, REA Group drew down the full A\$480 million (approximately \$340 million as of such date) available under the REA Facility, and the proceeds, less lenders' fees of \$1 million, were used to fund the iProperty acquisition. Borrowings under the REA Facility bear interest at a floating rate of the Australian BBSY plus a margin in the range of 0.85% and 1.45% depending on REA Group's net leverage ratio. As of June 30, 2016, REA Group was paying a margin of between 1.00% and 1.20%. REA Group paid approximately \$4 million in interest for the fiscal year ended June 30, 2016 at a weighted average interest rate of 3.2%. The REA Facility requires REA Group to maintain a net leverage ratio of not more than 3.25 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. As of June 30, 2016, REA Group was in compliance with all of the applicable debt covenants.

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The Company has commitments under certain firm contractual arrangements ("firm commitments") to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The following table summarizes the Company's material firm commitments as of June 30, 2016.

	As of June 30, 2016				
	Payments Due by Period				
	Total	1 year	2-3 years	4-5 years	After 5 years
	(in millions)				
Purchase obligations ^(a)	\$ 787	\$339	\$183	\$ 99	\$ 166
Sports programming rights ^(b)	1,184	158	379	388	259
Operating leases ^(c)					
Land and buildings	1,436	129	274	207	826
Plant and machinery	4	2	2	—	—
Total commitments and contractual obligations	\$3,411	\$628	\$838	\$694	\$1,251

- (a) The Company has commitments under purchase obligations related to printing contracts, capital projects, marketing agreements and other legally binding commitments.
- (b) The Company has sports programming rights commitments with the National Rugby League, Australian Rugby Union and International Cricket as well as certain other broadcast rights which are payable through fiscal 2023. In November 2015, the Company entered into a sports programming rights agreement with the National Rugby League to license certain media rights for a five year period from 2018 to 2022 for approximately \$775 million (A\$1.1 billion). In August 2015, the Company entered into a sports programming rights agreement with the Australian Football League to license certain media rights for a six year period from 2017 to 2022 for approximately \$850 million (A\$1.2 billion). The sports programming rights for the Australian Football League were novated to Foxtel in the fourth quarter of fiscal 2016 and are not included in the table above.

- (c) The Company leases office facilities, warehouse facilities, printing plants and equipment. These leases, which are classified as operating leases, are expected to be paid at certain dates through fiscal 2062. This amount includes approximately \$250 million for office facilities that have been subleased from 21st Century Fox.

The Company has certain contracts to purchase newsprint, ink and plates that require the Company to purchase a percentage of its total requirements for production. Since the quantities purchased annually under these contracts are not fixed and are based on the Company's total requirements, the amount of the related payments for these purchases is excluded from the table above.

The table also excludes the Company's pension obligations, other postretirement benefits ("OPEB") obligations and the liabilities for unrecognized tax benefits for uncertain tax positions as the Company is unable to reasonably predict the ultimate amount and timing of the commitments. The Company made contributions of \$26 million and \$9 million to its pension plans in fiscal 2016 and fiscal 2015, respectively. Future plan contributions are dependent upon actual plan asset returns and interest rates and statutory requirements. The Company anticipates that it will make contributions of approximately \$25 million in fiscal 2017, assuming that actual plan asset returns are consistent with the Company's expected returns in fiscal 2016 and beyond, and that interest rates remain constant. The Company will continue to make voluntary contributions as necessary to improve the funded status of the plans. Payments due to participants under the Company's pension plans are primarily paid out of underlying trusts. Payments due under the Company's OPEB plans are not required to be funded in advance, but are paid as medical costs incurred by covered retiree populations, and are principally dependent upon the future cost of retiree medical benefits under the Company's OPEB plans. The Company expects its OPEB payments to approximate \$10 million in fiscal 2017. (See Note 16 to the Consolidated Financial Statements).

C s

The Company routinely is involved in various legal proceedings, claims and governmental inspections or investigations, including those discussed below. The outcome of these matters and claims is subject to significant uncertainty, and the Company often cannot predict what the eventual outcome of pending matters will be or the timing of the ultimate resolution of these matters. Fees, expenses, fines, penalties, judgments or settlement costs which might be incurred by the Company in connection with the various proceedings could adversely affect its results of operations and financial condition.

The Company establishes an accrued liability for legal claims when it determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters. Legal fees associated with litigation and similar proceedings are expensed as incurred. The Company recognizes gain contingencies when the gain becomes realized or realizable. (See Note 15 to the Consolidated Financial Statements).

The Company's operations are subject to tax in various domestic and international jurisdictions and as a matter of course, it is regularly audited by federal, state and foreign tax authorities. The Company believes it has appropriately accrued for the expected outcome of all pending tax matters and does not currently anticipate that the ultimate resolution of pending tax matters will have a material adverse effect on its financial condition, future results of operations or liquidity. As subsidiaries of 21st Century Fox prior to the Separation, the Company and each of its domestic subsidiaries have joint and several liability with 21st Century Fox for the consolidated U.S. federal income taxes of the 21st Century Fox consolidated group relating to any taxable periods during which the Company or any of the Company's domestic subsidiaries are or were a member of the 21st Century Fox consolidated group. Consequently, the Company could be liable in the event any such liability is incurred, and not discharged, by any other member of the 21st Century Fox consolidated group. In conjunction with the Separation, the Company entered into the Tax Sharing and Indemnification Agreement with 21st Century Fox

(the “Tax Sharing and Indemnification Agreement”), which requires 21st Century Fox to indemnify the Company for any such liability. Disputes or assessments could arise during future audits by the Internal Revenue Service (“IRS”) or other taxing authorities in amounts that the Company cannot quantify.

CRITICAL ACCOUNTING POLICIES

An accounting policy is considered to be critical if it is important to the Company’s financial condition and results and if it requires significant judgment and estimates on the part of management in its application. The development and selection of these critical accounting policies have been determined by management of the Company. (See Note 2 to the Consolidated Financial Statements).

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Long-lived assets, including goodwill, newspaper mastheads, trade names, distribution networks, publishing rights, copyrighted products, trademarks and property, plant and equipment. Assets acquired in business combinations are recorded at their estimated fair value at the date of acquisition. Goodwill is recorded as the difference between the cost of acquiring an entity and the estimated fair values assigned to its tangible and identifiable intangible net assets and is assigned to one or more reporting units for purposes of testing for impairment.

Determining the fair value of assets acquired and liabilities assumed requires management’s judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. Identifying reporting units and assigning goodwill to them requires judgment involving the aggregation of business units with similar economic characteristics and the identification of existing business units that benefit from the acquired goodwill. The judgments made in determining the estimated fair value assigned to each class of long-lived assets acquired, their reporting unit, as well as their useful lives can significantly impact net income. The Company allocates goodwill to disposed businesses using the relative fair value method.

Goodwill and Indefinite-lived Intangible Assets

The Company tests goodwill and indefinite-lived intangibles for impairment on an annual basis in the fourth quarter and at other times if a significant event or change in circumstances indicates that it is more likely than not

The Company determined that the goodwill and indefinite-lived intangible assets included in the Balance Sheets were not impaired for the Company's reporting units. Significant unobservable inputs utilized in the income approach valuation method for these reporting units were discount rates (ranging from 9%-14.5%), long-term growth rates (ranging from 0%-3.5%) and royalty rates (ranging from 0.5%-3.4%). Significant unobservable inputs utilized in the market approach valuation methods were EBITDA multiples from guideline public companies operating in similar industries and control premiums (ranging from 10%-15%).

Significant increases (decreases) in royalty rates, growth rates, control premium and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significant decreases (increases) in discount rates, assuming no changes in royalty rates, growth rates, control premium and multiples, would result in a significantly higher (lower) fair value measurement.

The fair values of the Company's reporting units in fiscal 2016 exceeded the respective carrying values in a range from approximately 8% to 18%. Consequently, no impairments were identified. An approximate 400 basis point increase in the discount rate or, an approximate 700 basis point decrease in the projected cash flows terminal growth rate, would have resulted in a reporting unit of the News and Information Services segment and the Cable Network Programming segment failing step one of the goodwill impairment analysis, which would have required the completion of step two of the goodwill impairment analysis. The goodwill at risk associated with these reporting units is nearly \$1 billion as of June 30, 2016. The Company will continue to monitor its goodwill and indefinite lived intangible assets for possible future impairment.

Property, Plant and Equipment

The Company evaluates the carrying value of long-lived assets, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable, in accordance with ASC 360, "Property, Plant, and Equipment" ("ASC 360"). An asset group is the lowest level of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Events or circumstances that might warrant an impairment recoverability review include, among other things, material declines in operating performance, significant adverse market conditions and planned changes in the use of an asset group.

In determining whether the carrying value of an asset group is recoverable, the Company estimates undiscounted future cash flows over the estimated life of the primary asset of the asset group. The estimates of such future cash flows require estimating such factors as future operating performance, market conditions and the estimated holding period of each asset. If JT*[0.

The key assumptions used in developing the Company's fiscal 2016, 2015 and 2014 net periodic benefit costs (income) for its plans consist of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(in millions, except %)		
Weighted average discount rate used to determine net periodic benefit costs (income)	3.9%	4.2%	4.6%
Assets:			
Expected rate of return	5.7%	6.3%	6.8%
Expected return	\$ 81	\$ 93	\$ 93
Actual return	\$121	\$ 96	\$ 109
Gain/(Loss)	\$ 40	\$ 3	\$ 16
One year actual return	9.4%	7.2%	8.7%
Five year actual return	7.7%	8.6%	10.2%

The weighted average discount rate is volatile from year to year because it is determined based upon the prevailing rates in the U.S., the U.K. and Australia as of the measurement date. Beginning in fiscal 2017, the Company will change the method used to estimate the service and interest cost components of net periodic benefit cost (income) for its pension and other postretirement benefit plans. The new method utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The Company will change to the new method to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change is accounted for as a change in accounting estimate which is applied prospectively. Although the discount rate used for each plan will be established and applied individually, a weighted average discount rate of 3.1% will be used in calculating the fiscal 2017 net periodic benefit costs (income). This change in estimate is not expected to have a material impact on the Company's pension and postretirement net periodic benefit expense in future periods.

The Company will use a weighted average long-term rate of return of 5.7% for fiscal 2017 based principally on a combination of current asset mix and historical experience of actual plan returns. The accumulated net pre-tax losses on the Company's pension plans as of June 30, 2016 were approximately \$610 million which increased from approximately \$570 million for the Company's pension plans as of June 30, 2015. This increase of \$40 million was primarily due to a reduction in the discount rate across all plans and utilized in measuring the Company's domestic and international pension obligations. Lower discount rates increase present values of benefit obligations and increase the Company's deferred losses and also increase subsequent-year benefit costs. Higher discount rates decrease the present values of benefit obligations and reduce the Company's accumulated net loss and also decrease subsequent-year benefit costs. These deferred losses are being systematically recognized in future net periodic benefit costs (income) in accordance with ASC 715, "Compensation—Retirement Benefits." Unrecognized losses in excess of 10% of the greater of the market-related value of plan assets or the plan's projected benefit obligation are recognized over the average life expectancy for plan participants.

The Company made contributions of \$26 million, \$9 million and \$137 million to its pension plans in fiscal 2016, 2015 and 2014, respectively. In fiscal 2014, approximately \$37 million of the contributions were made by a third party in connection with the sale of a business in a prior period on behalf of former employees who retained certain pension benefits. Future plan contributions are dependent upon actual plan asset returns, statutory requirements and interest rate movements. Assuming that actual plan returns are consistent with the Company's expected plan returns in fiscal 2016 and beyond, and that interest rates remain constant, the Company anticipates that it will make contributions of approximately \$25 million in fiscal 2017. The Company will continue to make voluntary contributions as necessary to improve the funded status of the plans. (See Note 16 to the Consolidated Financial Statements).

Changes in net periodic benefit costs may occur in the future due to changes in the Company's expected rate of return on plan assets and discount rate resulting from economic events. The following table highlights the sensitivity of the Company's pension obligations and expense to changes in these assumptions, assuming all other assumptions remain constant:

<u>Changes in Assumption</u>	<u>Impact on Annual Pension Expense</u>	<u>Impact on Projected Benefit Obligation</u>
0.25 percentage point decrease in discount rate	Increase \$3 million	Increase \$87 million
0.25 percentage point increase in discount rate	Decrease \$2 million	Decrease \$80 million
0.25 percentage point decrease in expected rate of return on assets	Increase \$3 million	—
0.25 percentage point increase in expected rate of return on assets	Decrease \$3 million	—

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See Note 2 to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has exposure to different types of market risk including changes in foreign currency rates and stock prices. The Company neither holds nor issues financial instruments for trading purposes.

The following sections provide quantitative information on the Company's exposure to foreign currency rate risk and stock price risk. The Company makes use of sensitivity analyses that are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions.

Foreign Currency Rates

The Company conducts operations in three principal currencies: the U.S. dollar; the Australian dollar; and the British pound sterling. These currencies operate primarily as the functional currency for the Company's U.S., Australian and U.K. operations, respectively. Cash is managed centrally within each of the three regions with net earnings reinvested locally and working capital requirements met from existing liquid funds. To the extent such funds are not sufficient to meet working capital requirements, funding in the appropriate local currencies is made available from intercompany capital. The Company does not hedge its investments in the net assets of its Australian and U.K. foreign operations.

Because of fluctuations in exchange rates, the Company is subject to currency translation exposure on the results of its operations. Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities' statements of earnings and balance sheets from functional currency to the Company's reporting currency (the U.S. dollar) for consolidation purposes. The Company does not hedge translation risk because it generally generates positive cash flows from its international operations that are typically reinvested locally. Exchange rates with the most significant impact to its translation include the Australian dollar and British pound sterling. As exchange rates fluctuate, translation of its Statements of Operations into U.S. dollars affects the comparability of revenues and operating expenses between years.

The table below details the percentage of revenues and expenses by the three principal currencies for the fiscal years ended June 30, 2016 and 2015:

	<u>U.S. Dollars</u>	<u>Australian Dollars</u>	<u>British Pound Sterling</u>
Fiscal year ended June 30, 2016			
Revenues	47%	28%	20%
Operating and Selling, general, and administrative expenses	48%	24%	21%
Fiscal year ended June 30, 2015			
Revenues	43%	30%	21%
Operating and Selling, general, and administrative expenses	43%	27%	23%

Based on the year ended June 30, 2016, a one cent change in each of the U.S. dollar/Australian dollar and the U.S. dollar/British pound sterling exchange rates would have impacted revenues by approximately \$32 million and \$11 million, respectively, for each currency on an annual basis, and would have impacted Total Segment EBITDA by approximately \$7 million and \$0.4 million, respectively, on an annual basis.

Stock Prices

The Company has common stock investments in publicly traded companies that are subject to market price volatility. These investments had an aggregate fair value of approximately \$189 million as of June 30, 2016. A hypothetical decrease in the market price of these investments of 10% would result in a decrease in comprehensive income of approximately \$19 million before tax. Any changes in fair value of the Company's common stock investments are not recognized unless deemed other-than-temporary.

Credit Risk

Cash and cash equivalents are maintained with multiple financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and, therefore, bear minimal credit risk.

The Company's receivables did not represent significant concentrations of credit risk as of June 30, 2016 or June 30, 2015 due to the wide variety of customers, markets and geographic areas to which the Company's products and services are sold.

The Company monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. As of June 30, 2016, the Company did not anticipate nonperformance by any of the counterparties.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

NEWS CORPORATION

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of News Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. News Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of News Corporation;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures of News Corporation are being made only in accordance with authorizations of management and directors of News Corporation; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting, no matter how well designed,

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of News Corporation:

We have audited News Corporation's internal control over financial reporting as of June 30, 2016, based on criteria established in the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). News Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, News Corporation maintained, in all material respects, effective internal control over financial reporting as of June 30, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of News Corporation as of June 30, 2016 and 2015, and the related consolidated statements of operations, comprehensive (loss) income, equity and cash flows for each of the three years in the period ended June 30, 2016 of News Corporation and our report dated August 12, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
August 12, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of News Corporation:

We have audited the accompanying consolidated balance sheets of News Corporation as of June 30, 2016 and 2015, and the related consolidated statements of operations, comprehensive (loss) income, equity and cash flows for each of the three years in the period ended June 30, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of News Corporation at June 30, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), News Corporation's internal control over financial reporting as of June 30, 2016, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 12, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
August 12, 2016

NEWS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

NEWS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(IN MILLIONS)

NEWS CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Notes	As of June 30,	
		2016	2015
Assets:			
Current assets:			
Cash and cash equivalents		\$ 1,832	\$ 1,951
Restricted cash	2	315	—
Receivables, net	2	1,229	1,283
Other current assets	20	513	780
Total current assets		<u>3,889</u>	<u>4,014</u>
Non-current assets:			
Investments	6	2,270	2,379
Property, plant and equipment, net	7	2,405	2,690
Intangible assets, net	8	2,207	2,203
Goodwill	8	3,714	3,063
Deferred income tax assets	18	602	219
Other non-current assets	20	396	467
Total assets		<u>\$15,483</u>	<u>\$15,035</u>
Liabilities and Equity:			
Current liabilities:			
Accounts payable		\$ 217	\$ 238
Accrued expenses		1,371	1,125
Deferred revenue		388	346
Other current liabilities	20	466	401
Total current liabilities		<u>2,442</u>	<u>2,110</u>
Non-current liabilities:			
Borrowings	9	369	—
Retirement benefit obligations	16	350	305
Deferred income tax liabilities	18	171	166
Other non-current liabilities		349	318
Commitments and contingencies	15		
Redeemable preferred stock	10	20	20
Class A common stock ^(a)		4	4
Class B common stock ^(b)		2	2
Additional paid-in capital		12,434	12,433
Retained earnings		150	88
Accumulated other comprehensive loss		(1,026)	(582)
Total News Corporation stockholders' equity		<u>11,564</u>	<u>11,945</u>
Noncontrolling interests		218	171
Total equity		<u>11,782</u>	<u>12,116</u>
Total liabilities and equity		<u>\$15,483</u>	<u>\$15,035</u>

(a) **Class A common stock**, \$0.01 par value per share (“Class A Common Stock”), 1,500,000,000 shares authorized, 380,490,770 and 381,914,964 shares issued and outstanding, net of 27,368,413 treasury shares at par at June 30, 2016 and June 30, 2015, respectively.

(b) **Class B common stock**, \$0.01 par value per share (“Class B Common Stock”), 750,000,000 shares authorized, 199,630,240 shares issued and outstanding, net of 78,430,424 treasury shares at par at June 30, 2016 and June 30, 2015, respectively.

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

NEWS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

	<u>For the fiscal years ended June 30,</u>		
Notes	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating activities:			
Net income (loss)	\$ 250	\$ (78)	\$ 294
Less: Income (loss) from discontinued operations, net of tax	<u>15</u>	<u>(445)</u>	<u>(142)</u>
Income from continuing operations:	235	367	152

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NEWS CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(IN MILLIONS)

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Use of estimates

The preparation of the Company's Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the Consolidated Financial Statements and accompanying disclosures. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and other investments that are readily convertible into cash with original maturities of three months or less. The Company's cash and cash equivalents balance as of June 30, 2016 and 2015 also includes \$95 million and \$60 million, respectively, which is not readily accessible by the Company as it is held by REA Group Limited ("REA Group"), a majority owned but separately listed public company. REA Group must declare a dividend in order for the Company to have access to its share of REA Group's cash balance.

The Company classifies cash as restricted when the cash is unavailable for use in general operations. The restricted cash balance of \$315 million as of June 30, 2016 relates to cash set aside for the Wireless Group Offer (as defined in Note 3) in order to comply with U.K. takeover regulations. (See Note 3—Acquisitions, Disposals and Other Transactions).

Concentration of credit risk

Cash and cash equivalents are maintained with multiple financial institutions. The Company has deposits held with banks that exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and, therefore, bear minimal credit risk.

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

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the weighted average cost method. The Company records a reserve for excess and obsolete inventory based upon a calculation using the historical usage rates, sales patterns of its products and specifically identified obsolete inventory. Inventory is included within Other current assets on the Balance Sheets.

Prepublication costs

The Company capitalizes the art, prepress, outside editorial, digital conversion and other costs incurred in the creation of the master copy of a book or other media (the “prepublication costs”). Prepublication costs are amortized from the year of publication over their estimated useful lives, using the straight-line method for capitalized costs with an estimated useful life of one year or less and sum of the years’ digits for capitalized costs exceeding one year. The Company regularly reviews the recoverability of the capitalized costs based on expected future revenues. Prepublications costs are included in Other current assets on the Balance Sheets and were \$33 million and \$34 million as of June 30, 2016 and 2015, respectively. Amortization of prepublication costs for the fiscal years ended June 30, 2016, 2015 and 2014 was \$43 million, \$43 million and \$37 million, respectively.

Investments

The Company makes investments in various businesses in the normal course of business. The Company evaluates its relationships with other entities to identify whether they are VIEs in accordance with ASC 810-10. In determining whether the Company is the primary beneficiary of a VIE, it assesses whether it has the power to direct matters that most significantly impaivv -1.ruwAmorti2ff62(30,)-2le is52(30,)-53(ess)bead.8lrts andntly ident

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided

NEWS CORPORATION

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

News and Information Services

Advertising revenues are recognized in the period when advertising is printed or placed on digital platforms, net of commissions and provisions for estimated sales incentives including rebates, rate adjustments and discounts. Advertising revenues from integrated marketing services are recognized when free-standing inserts are published or over the time period in which in-store marketing services are performed. Billings to clients and payments received in advance of the performance of services or delivery of products are recorded as deferred revenue until the services are performed or the product is delivered.

Circulation and information services revenues include single-copy and subscription revenues. Circulation revenues are based on the number of copies of the printed newspaper (through home-delivery subscriptions and single-copy sales) and digital subscriptions sold and the rates charged to the respective customers. Single-copy revenue is recognized based on date of publication, net of provisions for related returns. Proceeds from print, digital and electronic information services subscription revenues are deferred at the time of sale and are recognized in earnings on a pro rata basis over the terms of the subscriptions.

Other revenues are recognized when the related services are performed or the product has been delivered.

Book Publishing

Revenue from the sale of books for distribution in the retail channel is primarily recognized upon passing of control to the buyer. Revenue for electronic books (“e-books”), which is the net amount received from the retailer, is generally recognized upon electronic delivery to the customer by the retailer. Revenue is reported net of any amounts billed to customers for taxes which are remitted to government authorities.

Digital Real Estate Services

Advertising revenues from providing online real estate advertising services are recognized on the fulfillment of customer service obligations, which may include product performance and/or product service periods.

Subscription revenues from licensing and advanced reporting products are typically recognized ratably over the service period of the related subscription.

Cable Network Programming

Affiliate fees received from cable television systems, direct broadcast satellite operators and other distribution systems are recognized as revenue in the period that services are provided. Advertising revenues are recognized, net of agency commissions, in the period that the advertisements are aired.

Multiple element arrangements

Revenues derived from a single sales contract that contains multiple products and services are allocated based on the relative fair value of each item to be delivered and recognized in accordance with the applicable revenue recognition criteria for the specific unit of accounting.

Gross versus net revenue recognition

In the normal course of business, the Company acts as or uses an intermediary or agent in executing transactions with third parties. In connection with these arrangements, the Company must determine whether to report revenue based on the gross amount billed to the ultimate customer or on the net amount received from the customer after commissions and other payments to third parties.

NEWS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in the transaction. If the Company is acting as a principal in a transaction, the Company reports revenue on a gross basis. If the Company is acting as an agent in a transaction, the Company reports revenue on a net basis. The determination of whether the Company is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of the arrangement. The Company serves as the principal in transactions in which it has substantial risks and rewards of ownership.

Barter transactions

The Company enters into transactions that involve the exchange of advertising, in part, for other products and services, which are recorded at the lesser of estimated fair value of the advertising given or product or service received in accordance with the provisions of ASC 605-20-25, "Advertising Barter Transactions." Revenue from barter transactions is recognized when advertising is provided, and expenses are recognized when products are received or services are incurred. Revenue from barter transactions included in the Statements of Operations was \$58 million, \$56 million and \$47 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. Expense from barter transactions included in the Statements of Operations was \$58 million, \$56 million and \$41 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

Sales returns

Consistent with industry practice, certain of the Company's products, such as books and newspapers, are sold with the right of return. The Company records, as a reduction of revenue, the estimated impact of such returns. In determining the estimate of product sales that will be returned, management analyzes historical returns, current economic trends, 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.

Advertising expenses

The Company expenses advertising costs as incurred in accordance with ASC 720-35, "Other Expenses—Advertising Cost." Advertising and promotional expenses recognized totaled \$607 million, \$530 million and \$442 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

Shipping and handling

Costs incurred for shipping and handling are reflected in Operating expenses -261.1(of)-252(Operations)-257.1(was)-250(flecrda
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are established where management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized. Deferred taxes have not been provided on the cumulative undistributed earnings of foreign subsidiaries to the extent amounts are expected to be reinvested indefinitely. The Company recognizes interest and penalty charges related to unrecognized tax benefits as income tax expense.

Earnings (loss) per share

Basic earnings (loss) per share for Class A Common Stock and Class B Common Stock is calculated by dividing Net income (loss) available to News Corporation stockholders by the weighted average number of shares of Class A Common Stock and Class B Common Stock outstanding. Diluted earnings (loss) per share for Class A Common Stock and Class B Common Stock is calculated similarly, except that the calculation includes the dilutive effect of the assumed issuance of shares issuable under the Company's equity-based compensation plans. (See Note 13—Earnings (Loss) per Share).

Equity-based compensation

Equity-based awards are accounted for in accordance with ASC 718, "Compensation—Stock Compensation" ("ASC 718"). ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in the Consolidated Financial Statements. ASC 718 establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all companies to apply a fair-value-based measurement method in accounting for generally all share-based payment transactions with employees.

Retirement Benefit Obligations

The Company provides defined benefit pension, postretirement healthcare, defined contribution and medical benefits to the Company's eligible employees and retirees. The Company accounts for its defined benefit pension, postretirement healthcare and defined contribution plans in accordance with ASC 715, "Compensation—Retirement Benefits" ("ASC 715"). The expense recognized by the Company is determined using certain assumptions, including the discount rate, expected long-term rate of return and mortality rates, among others. The Company recognizes the funded status of its defined benefit plans (other than multiemployer plans) as an asset or liability in the Balance Sheets and recognizes changes in the funded status in the year in which the changes occur through Accumulated other comprehensive (loss) income in the Balance Sheets.

Fair Value Measurements

The Company has various financial instruments that are measured at fair value on a recurring basis, including certain marketable securities and derivatives. The Company also applies the provisions of fair value measurement to various non-recurring measurements for the Company's non-financial assets and liabilities. With the exception of investments measured using the net asset value per share practical expedient prescribed in ASU

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The Company's assets measured at fair value on a nonrecurring basis include investments, long-lived assets, indefinite-lived intangible assets and goodwill. The Company reviews the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually as of June 30 for indefinite-lived intangible assets and goodwill. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to be Level 3 measurements.

Financial instruments and derivatives

The carrying value of the Company's financial instruments, including cash and cash equivalents, approximate fair value. The Company did not estimate the fair value of certain cost method investments because it was not practicable to do so. The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market which are considered to be Level 2 measurements. The Company monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. As of June 30, 2016, the Company did not anticipate nonperformance by any of the counterparties.

ASC 815, "Derivatives and Hedging" ("ASC 815"), requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded on the balance sheet at fair value as either an asset or a liability. ASC 815 also requires that changes in the fair value of recorded derivatives be recognized currently in earnings unless specific hedge accounting criteria are met. The Company uses financial instruments to hedge its limited exposures to foreign currency exchange risks primarily associated with payments made to manufacturers and service providers. These derivative contracts are primarily economic hedges. The Company records the changes in the fair value of these items in current earnings. The fair market value of foreign exchange forward contracts with foreign currency risk outstanding as of June 30, 2016 and June 30, 2015 was not material.

Recent Accounting Guidance

In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 removes inconsistencies and differences in existing revenue requirements between GAAP and International Financial Reporting Standards ("IFRS") and requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Once effective, ASU 2014-09 can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initial adoption recognized at the date of initial application. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08"). The amendments in ASU 2016-08 clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-10"). The amendments in ASU 2016-10 clarify aspects relating to the identification of performance obligations and improve the operability and understandability of the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, "Update 2016-12—Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-

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in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. The Company is currently evaluating the impact ASU 2016-01 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The amendments in ASU 2016-02 address certain aspects in lease accounting, with the most significant impact for lessees. The amendments in ASU 2016-02 require lessees to recognize all leases on the balance sheet by recording a right-of-use asset and a lease liability, and lessor accounting has been updated to align with the new requirements for lessees. The new standard also provides changes to the existing sale-leaseback guidance. ASU 2016-02 is effective for the Company for annual and interim reporting periods beginning July 1, 2019. The Company is currently evaluating the impact ASU 2016-02 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, “Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting” (“ASU 2016-07”). The amendments in ASU 2016-07 address recognition and measurement of equity investments. The amendments in this update eliminate the requirement to retroactively adjust the investment, results of operations and retained earnings when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. ASU 2016-07 is effective for the Company for annual and interim reporting periods beginning July 1, 2018. As permitted by ASU 2016-07, the Company early-adopted this standard and does not expect it to have a significant impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). The amendments in ASU 2016-09 address several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for the Company for annual and interim reporting periods beginning July 1, 2017. The Company is currently evaluating the impact ASU 2016-09 will have on its consolidated financial statements.

NOTE 3. ACQUISITIONS, DISPOSALS AND OTHER TRANSACTIONS

F s 2016

Checkout 51 Mobile Apps ULC

In July 2015, the Company acquired Checkout 51 Mobile Apps ULC (“Checkout 51”) for approximately \$13 million in cash at closing and approximately \$10 million in deferred cash consideration which was paid during fiscal 2016. Checkout 51 is a data-driven digital coupon company that provides News America Marketing with a leading receipt recognition mobile app which enables packaged goods companies and brands to reach consumers with highly personalized marketing campaigns. Checkout 51’s results are included within the Company’s News and Information Services segment.

Unruly Holdings Limited

On September 30, 2015, the Company acquired Unruly for approximately £60 million (approximately \$90 million) in cash and up to £56 million (approximately \$86 million) in future cash consideration related to payments primarily contingent upon the achievement of certain performance objectives. As a result of the acquisition, the Company recognized a liability of approximately \$40 million related to the contingent

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In accordance with ASC 805 “Business Combinations,” REA Group recognized a gain of \$29 million

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any assumed debt at closing. Wireless Group, a publicly-traded company listed on the London and Irish Stock Exchanges, operates TalkSPORT, the leading sports radio network in the U.K., and a portfolio of radio stations in the U.K. and Ireland. The proposed acquisition is expected to broaden the Company's range of services in the U.K., Ireland and internationally. The Offer is subject to customary closing conditions, including shareholder acceptances and regulatory approval, as well as the other terms set forth in the Company's Offer Document. As a result of U.K. takeover regulations requiring the Company to demonstrate that necessary financial resources are available to enable full satisfaction of the consideration payable in the Offer, the Company has specifically set aside \$315 million of cash for the Offer and has classified it as restricted cash in the Balance Sheet as of June 30, 2016.

F s 2015

Harlequin Enterprises Limited

In August 2014, the Company acquired Harlequin Enterprises Limited ("Harlequin") from Torstar Corporation for \$414 million in cash, net of \$19 million of cash acquired. Harlequin is a leading publisher of women's fiction and extends HarperCollins' global platform, particularly in Europe and Asia Pacific. Harlequin is a subsidiary of HarperCollins, and its results are included within the Book Publishing segment. As a result of the acquisition, the Company recorded net tangible assets of approximately \$115 million, primarily consisting of accounts receivable, accounts payable, author advances, property, plant and equipment and inventory, at their estimated fair values at the date of acquisition. In addition, the Company recorded approximately \$165 million of intangible assets, comprised of approximately \$105 million of imprints which have an indefinite life and \$60 million related to finite lived intangible assets with a weighted average life of approximately 5 years, and recorded an associated deferred tax liability of approximately \$35 million. In accordance with ASC 350, the excess of the purchase price over the fair values of the net tangible and intangible assets of approximately \$185 million was recorded as goodwill on the transaction.

Move, Inc.

In November 2014, the Company acquired all of the outstanding shares of Move, which was a publicly traded company, for \$21.00 per share in cash. Move is a leading provider of online real estate services, and the acquisition expanded the Company's digital real estate services business into the U.S., one of the largest real estate markets. Move primarily operates realtor.com®, a premier real estate information and services marketplace. Move also offers a number of professional software and services products, including Top Producer®, TigerLead® and ListHub™. Move's results of operations are included within the Digital Real Estate Services segment, and it is considered a separate reporting unit for purposes of the Company's annual goodwill impairment review.

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The aggregate cash payment at closing to acquire the outstanding shares of Move was approximately \$864 million, which was funded with cash on hand. The Company also assumed outstanding Move equity-based compensation awards with a fair value of \$67 million, consisting of vested and unvested stock options, restricted stock units (“RSUs”) and restricted stock awards. Of the total fair value of the assumed equity-based compensation awards, \$28 million was allocated to pre-combination services and included in total consideration transferred and \$39 million was allocated to future services and is being expensed over the weighted average remaining service period of 2.5 years. (See Note 12— Equity Based Compensation). In addition, following the acquisition, the Company utilized approximately \$129 million of cash to settle all of Move’s outstanding indebtedness that was assumed as part of the transaction. The total transaction value for the Move acquisition is set forth below (in millions):

Cash paid for Move equity	\$ 864
Assumed equity-based compensation awards—pre-combination services	28
Total consideration transferred	892
Plus: Assumed debt	129
Plus: Assumed equity-based compensation awards—post-combination services	39
Less: Cash acquired	(108)
Total transaction value	<u>\$ 952</u>

REA Group acquired a 20% interest in Move upon closing of the transaction. In connection with the acquisition, the Company granted REA Group a put option to require the Company to purchase REA Group’s interest in Move, which can be exercised at any time beginning two years from the date of acquisition at fair value.

Under the purchase method of accounting, the total consideration transferred is allocated to net tangible and intangible assets based upon the fair value as of the date of completion of the acquisition. The excess of the total consideration transferred over the fair value of the net tangible and intangible assets acquired was recorded as goodwill. The allocation is as follows (in millions):

Assets acquired:	
Cash	\$ 108
Other current assets	28
Intangible assets	216
Deferred income taxes	153
Goodwill	552
Other non-current assets	69
Total assets acquired	<u>\$1,126</u>
Liabilities assumed:	
Current liabilities	\$ 50
Deferred income taxes	52
Borrowings	129
Other non-current liabilities	3
Total liabilities assumed	<u>234</u>
Net assets acquired	<u>\$ 892</u>

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The acquired intangible assets relate to the license of the realtor.com[®] trademark, which has a fair value of approximately \$116 million and an indefinite life, and customer relationships, other tradenames and certain multiple listing service agreements with an aggregate fair value of approximately \$100 million, which are being amortized over a weighted-average useful life of approximately 15 years. The Company also acquired technology, primarily associated with the realtor.com[®] website, that has a fair value of approximately \$39 million, which is being amortized over 4 years. The acquired technology has been recorded in Property, Plant and Equipment, net in the Consolidated Balance Sheets as of the date of acquisition.

Move had U.S. federal net operating loss carryforwards (“NOLs”) of \$947 million (\$332 million tax-effected) at the date of acquisition. The NOLs are subject to limitations as promulgated under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). Section 382 of the Code limits the amount of acquired NOLs that we can use on an annual basis to offset future U.S. consolidated taxable income. Valuation allowances

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completed the sale of the Amplify Insight and Amplify Learning businesses on September 30, 2015 and incurred approximately \$17 million in severance and lease termination costs in conjunction with the sale. These amounts are included in Loss before income tax benefit in the table below for the fiscal year ended June 30,

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NOTE 5. RESTRUCTURING PROGRAMS

The Company recorded restructuring charges of \$89 million, \$84 million and \$79 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, of which \$79 million, \$75 million and \$67 million related to

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The Company's investment in Foxtel exceeded its equity in the underlying net assets by approximately \$1.5 billion as of June 30, 2016. This amount represented the excess cost over the Company's proportionate share of its investment's underlying net assets. This has been allocated between finite-lived intangible assets, indefinite-lived intangible assets and goodwill. The finite-lived intangible assets of approximately \$0.5 billion primarily represent subscriber relationships with a weighted average remaining useful life of 7 years.

- (b) Other equity method investments as of June 30, 2015 primarily included REA Group's investment in iProperty. In July 2014, REA Group purchased a 17.22% interest in iProperty for total cash consideration of approximately \$100 million. In December 2014, REA Group sold Squarefoot, its Hong Kong based business, to iProperty in exchange for an additional 2.2% interest in iProperty. As of June 30, 2015, REA Group owned an approximate 19.9% interest in iProperty and increased its ownership percentage to an approximate 22.7% interest in the first quarter of fiscal 2016. In February 2016, REA Group increased its ownership interest in iProperty to approximately 86.9% for A\$482 million (approximately \$340 million) and from then its results are consolidated within the Digital Real Estate Services segment. (See Note 3—

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The Company measures the fair market values of available-for-sale investments as Level 1 financial instruments under ASC 820 as such investments have quoted prices in active markets. The cost basis, unrealized gains, unrealized losses and fair market value of available-for-sale investments are set forth below:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
	(in millions)	
Cost basis of available-for-sale investments	\$155	\$164
Accumulated gross unrealized gain	34	46
Accumulated gross unrealized loss	—	(25)
Fair value of available-for-sale investments	<u>\$189</u>	<u>\$185</u>
Net deferred tax liability	<u>\$ 13</u>	<u>\$ 11</u>

Equity Earnings of Affiliates

The Company's share of the earnings of its equity affiliates was as follows:

	<u>For the fiscal years ended June 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(in millions)		
Foxtel ^(a)	\$38	\$59	\$ 90
Other equity affiliates, net	(8)	(1)	—
Total Equity earnings of affiliates	<u>\$30</u>	<u>\$58</u>	<u>\$ 90</u>

(a) In accordance with ASC 350, the Company amortized \$52 million, \$57 million and \$62 million related to excess cost over the Company's proportionate share of its investment's underlying net assets allocated to finite-lived intangible assets during the fiscal years ended June 30, 2016, 2015 and 2014, respectively. Such amortization is reflected in Equity earnings of affiliates in the Statements of Operations.

Impairments of investments

The Company regularly reviews its investments for impairments based on criteria that include the extent to which the investment's carrying value exceeds its related market value, the duration of the market decline, the Company's ability to hold its investment until recovery and the investment's financial strength and specific prospects. The Company recorded write-offs and impairments of certain investments in the fiscal years ended June 30, 2016, 2015 and 2014 of \$21 million, \$5 million and \$10 million, respectively. These write-offs and impairments were reflected in Other, net in the Statements of Operations and were taken either as a result of the deteriorating financial position of the investee or due to an other-than-temporary impairment resulting from sustained losses and limited prospects for recovery. Of the \$21 million in write-offs and impairments recognized in the fiscal year ended June 30, 2016, approximately \$17 million was reclassified out of accumulated other comprehensive income and included in Other, net in the Statement of Operations.

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Summarized Financial Information

Summarized financial information for Foxtel, presented in accordance with U.S. GAAP, was as follows:

	For the fiscal years ended June 30,		
	2016	2015	2014
	(in millions)		
Revenues	\$2,379	\$2,658	\$2,897
Operating income ^(a)	373	441	554
Net income	180	232	304

(a) Includes Depreciation and amortization of \$231 million, \$319 million and \$349 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. Operating income before depreciation and amortization was \$604 million, \$760 million and \$903 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

	As of June 30,	
	2016	2015
	(in millions)	
Current assets	\$ 605	\$ 458
Non-current assets	2,470	2,506
Current liabilities	764	731
Non-current liabilities	2,534	2,544

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Useful Lives	As of June 30,	
		2016	2015
		(in millions)	
Land		\$ 153	\$ 161
Buildings and leaseholds	3 to 50 years	1,793	1,925
Machinery and equipment ^(a)	3 to 40 years	2,872	2,972
		4,818	5,058
Less: accumulated depreciation and amortization ^(b)		(2,524)	(2,493)
		2,294	2,565
Construction in progress ^(a)		111	125
Total Property, plant and equipment, net		<u>\$ 2,405</u>	<u>\$ 2,690</u>

(a) Includes capitalized software of approximately \$950 million and \$898 million as of June 30, 2016 and 2015, respectively.

(b) Includes accumulated amortization of capitalized software of approximately \$498 million and \$447 million as of June 30, 2016 and 2015, respectively.

Depreciation and amortization related to property, plant and equipment was \$415 million, \$407 million and \$470 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. This includes amortization of capitalized software of \$194 million, \$169 million and \$136 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

Total operating lease expense was approximately \$164 million, \$195 million and \$187 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

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NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying values of the Company's intangible assets and related accumulated amortization for the fiscal years ended June 30, 2016 and June 30, 2015 were as follows:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
	(in millions)	
<u>Intangible Assets Not Subject to Amortization</u>		
Newspaper Mastheads	\$ 307	\$ 308
Distribution Networks	391	392
Imprints	245	266
Trademarks and tradenames	191	120
Total intangible assets not subject to amortization	<u>1,134</u>	<u>1,086</u>
<u>Intangible Assets Subject to Amortization</u>		
Channel Distribution Agreements ^(a)	342	366
Publishing Rights ^(b)	365	389
Customer Relationships ^(c)	336	336
Other ^(d)	30	26
Total intangible assets subject to amortization, net	<u>1,073</u>	<u>1,117</u>
Total Intangible assets, net	<u>\$ 2,207</u>	<u>\$ 2,203</u>

(a) Net of accumulated amortization of \$58 million and \$43 million as of June 30, 2016 and 2015, respectively. The average useful life of the channel distribution agreements is 25 years primarily based on the period that a majority of the future cash flows from these intangibles will be generated.

(b) Net of accumulated amortization of \$150 million and \$122 million as of June 30, 2016 and 2015, respectively. The average useful life of publishing rights is 4 to 30 years primarily based on the weighted-average remaining contractual terms of the underlying publishing contracts and the Company's estimates of the period within those terms that the asset is expected to generate a majority of its future cash flows.

(c) Net of accumulated amortization of \$363 million and \$340 million as of June 30, 2016 and 2015, respectively. The average useful life of c3 million as of June 30, 2016 and and million as of June 30, 2015 is 6.5

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The changes in the carrying value of goodwill, by segment, are as follows:

	<u>News and Information Services</u>	<u>Book Publishing</u>	<u>Digital Real Estate Services</u>	<u>Cable Network Programming</u>	<u>Other</u>	<u>Total Goodwill</u>
	(in millions)					
Balance, June 30, 2014	\$1,701	\$ 71	\$ 86	\$ 599	\$ —	\$2,457
Acquisitions	—	191	566	—	4	761
Foreign currency movements	(5)	(21)	(16)	(113)	—	(155)
Balance, June 30, 2015	<u>\$1,696</u>	<u>\$241</u>	<u>\$ 636</u>	<u>\$ 486</u>	<u>\$ 4</u>	<u>\$3,063</u>
Acquisitions	80	31	545	—	—	656
Foreign currency movements	(11)	(12)	28	(10)	—	(5)
Balance, June 30, 2016	<u>\$1,765</u>	<u>\$260</u>	<u>\$1,209</u>	<u>\$ 476</u>	<u>\$ 4</u>	<u>\$3,714</u>

The carrying amount of goodwill as of June 30, 2016 reflected accumulated impairments, principally relating to the News and Information Services segment, of \$3.4 billion.

Annual Impairment Assessments

F s 2016

In accordance with ASC 350, the Company's goodwill and indefinite-lived intangible assets are tested annually in the fourth quarter for impairment or earlier if events or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. (See Note 2—Summary of Significant Accounting Policies).

The performance of the Company's annual impairment analysis did not result in any impairments of goodwill in fiscal 2016. Significant unobservable inputs utilized in the income approach valuation method were discount rates (ranging from 9%-14.5%), long-term growth rates (ranging from 0%-3.5%) and royalty rates (ranging from 0.5%-3.4%). Significant unobservable inputs utilized in the market approach valuation method were EBITDA multiples from guideline public companies operating in similar industries and control premiums (ranging from 10%-15%). Significant increases (decreases) in royalty rates, growth rates, control premiums and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significant decreases (increases) in discount rates, assuming no changes in royalty rates, growth rates, control premiums and multiples, would result in a significantly higher (lower) fair value measurement.

F s 2015

The performance of the Company's annual impairment analysis did not result in any impairments of goodwill in fiscal 2015. Significant unobservable inputs utilized in the income approach valuation method were discount rates (ranging from 9%-14%), long-term growth rates (ranging from 0%-3%) and royalty rates (ranging from 0.5%-3.3%). Significant unobservable inputs utilized in the market approach valuation method were EBITDA multiples from guideline public companies operating in similar industries and control premiums (ranging from 10%-15%). Significant increases (decreases) in royalty rates, growth rates, control premiums and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significant decreases (increases) in discount rates, assuming no changes in royalty rates, growth rates, control premiums and multiples, would result in a significantly higher (lower) fair value measurement.

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F s 2014

The performance of the Company's annual impairment analysis did not result in any impairments of goodwill in fiscal 2014. Significant unobservable inputs utilized in the income approach valuation method were discount rates (ranging from 9.0%-14.0%), long-term growth rates (ranging from 0.0%-4.0%) and royalty rates (ranging from 0.5%-2.8%). Significant unobservable inputs utilized in the market approach valuation method were EBITDA multiples from guideline public companies operating in similar industries and control premiums (ranging from 10%-15%). Significant increases (decreases) in royalty rates, growth rates, control premiums and multiples, assuming no change in discount rates, would result in a significantly higher (lower) fair value measurement. Significant decreases (increases) in discount rates, assuming no changes in royalty rates, growth rates, control premiums and multiples, would result in a significantly higher (lower) fair value measurement.

NOTE 9. BORROWINGS

The Company's total borrowings consist of the following:

	<u>As of</u> <u>June 30, 2016</u>	<u>As of</u> <u>June 30, 2015</u>
	(in millions)	
Facility due December 2017	\$ 90	\$ —
Facility due December 2018	90	—
Facility due December 2019	179	—
Other obligations	<u>13</u>	<u>—</u>
Total debt	372	—
Less: Current portion	<u>(3)</u>	<u>—</u>
Total long-term debt	<u>\$ 369</u>	<u>\$ —</u>

REA Group Unsecured Revolving Loan Facility

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In October 2015, the Company entered into an amendment to the Credit Agreement (the "Amendment") which, among other things, extended the original term of the Facility by two years and lowered the commitment fee payable by the Company. As a result of the Amendment, the lenders' commitments now terminate on October 23, 2020, and any borrowings will be due at that time. The Company may request that the commitments be extended under certain circumstances as set forth in the Credit Agreement for up to two additional one-year periods.

The Credit Agreement contains customary affirmative and negative covenants and events of default, with customary exceptions, including limitations on the ability of the Company and its subsidiaries to engage in transactions with affiliates, incur liens, merge into or consolidate with any other entity, incur subsidiary debt or dispose of all or substantially all of its assets or all or substantially all of the stock of its subsidiaries. In addition, the Credit Agreement requires the Company to maintain an adjusted operating income leverage ratio of not more than 3.0 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the Credit Agreement may be declared immediately due and payable. As of June 30, 2016, the Company was in compliance with all of the applicable debt covenants.

Interest on borrowings under the Facility is based on either (a) a Eurodollar Rate formula or (b) the Base Rate formula, each as set forth in the Credit Agreement. The applicable margin and the commitment fee are based on the pricing grid in the Credit Agreement, which varies based on the Company's adjusted operating income leverage ratio. As of June 30, 2016, the Company was paying a commitment fee of 0.225% on any undrawn balance and an applicable margin of 0.50% for a Base commgI252(lance)-2r-gwraeany undr,5ONSOLIDATED FINAN50, 201thetotoand 0.225%icingawplicable

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NOTE 11. STOCKHOLDERS' EQUITY

A C

The Company's authorized capital stock consists of 1,500,000,000 shares of Class A Common Stock, par value \$0.01 per share, 750,000,000 shares of Class B Common Stock, par value \$0.01 per share, 25,000,000 shares of Series Common Stock, par value \$0.01 per share, and 25,000,000 shares of Preferred Stock, par value \$0.01 per share.

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Shares Outstanding—Following the Separation, the Company had approximately 379 million shares of Class A Common Stock outstanding at a par value of \$0.01 per share and 200 million shares of Class B Common Stock outstanding at a par value of \$0.01 per share. As of June 30, 2016, the Company had approximately 380 million shares of Class A Common Stock outstanding at a par value of \$0.01 per share and approximately 200 million shares of Class B Common Stock outstanding at a par value of \$0.01 per share.

Dividends—Dividends declared and paid per share on both the Company's Class A Common Stock and Class B Common Stock totaled \$0.20 for fiscal 2016. No dividends were declared or paid in fiscal 2015 or fiscal 2014. The timing, declaration, amount and payment of future dividends to stockholders, if any, is within the discretion of the Company's Board of Directors (the "Board of Directors"). The Board of Directors' decisions regarding the payment of future dividends will depend on many factors, including the Company's financial condition, earnings, capital requirements and debt facility covenants, other contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the Board of Directors deems relevant.

Voting Rights—Holders of the Company's Class A Common Stock are entitled to vote only in the limited circumstances set forth in the Company's Restated Certificate of Incorporation. Holders of the Company's Class B Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders.

Liquidation Rights—In the event of a liquidation or dissolution of the Company, holders of Class A Common Stock and Class B Common Stock shall be entitled to receive all of the remaining assets of the Company available for distribution to its stockholders, ratably in proportion to the number of shares held by Class A Common Stock holders and Class B Common Stock holders, respectively. In the event of any merger or consolidation with or into another entity, the holders of Class A Common Stock and the holders of Class B Common Stock shall generally be entitled to receive substantially identical per share consideration.

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In May 2013, the Board of Directors authorized the Company to repurchase up to an aggregate of \$500 million of its Class A Common Stock. On May 10, 2015, the Company announced it had begun repurchasing shares of Class A Common Stock under the stock repurchase program. Through August 5, 2016, the Company repurchased approximately 5.2 million shares of Class A Common Stock for an aggregate purchase price of approximately \$71 million. The remaining authorized amount under the stock repurchase program as of August 5, 2016 was approximately \$429 million. All decisions regarding any future stock repurchases are at the sole discretion of a duly appointed committee of the Board of Directors and management. The committee's

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contractual restrictions, as well as legal requirements, regulatory constraints, industry practice, market volatility and other factors that the committee may deem relevant. The stock repurchase authorization may be modified, extended, suspended or discontinued at any time by the Board of Directors and the Board of Directors cannot provide any assurances that any additional shares will be repurchased. The total number and value of shares repurchased for the fiscal years ended June 30, 2016, 2015 and 2014 are as follows:

	For the fiscal years ended June 30,		
	2016	2015	2014
	(in millions)		
Total cost of repurchases	\$ 39	\$ 32	—
Total number of shares repurchased	3.1	2.1	—

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During fiscal 2015, the Board of Directors adopted the second amended and restated rights agreement, which is referred to below as the “rights agreement.” Under the rights agreement, each outstanding share of common stock of the Company has attached to it one right. Initially, the rights are represented by the common stock of the Company, are not traded separately from the common stock and are not exercisable. The rights, unless redeemed or exchanged, will become exercisable for common stock of the Company 10 business days after public announcement that a person or group has obtained beneficial ownership (defined to include stock which a person has the right to acquire, regardless of whether such right is subject to the passage of time or the satisfaction of conditions), including by means of a tender offer, of 15% or more of the outstanding shares of the Company’s Class B Common Stock. Following such acquisition of beneficial ownership, each right will entitle its holder (other than the acquiring person or group) to purchase, at the exercise price (subject to adjustments provided in the rights agreement), a number of shares of the Company’s Class A or Class B Common Stock, as applicable, having a then-current market value of twice the exercise price, and in the event of a subsequent merger or other acquisition of the Company or transfer of 50% or more of the Company, to purchase, at the exercise price, a number of shares of common stock of the acquiring entity having a then-current market value of twice the exercise price. The exercise price for the Company rights will be \$90.00, subject to certain adjustments.

The rights will not become exercisable by virtue of (i) any person’s or group’s beneficial ownership, as of the Distribution Date, of 15% or more of the Class B Common Stock of the Company, unless such person or group acquires beneficial ownership of additional shares of the Company’s Class B Common Stock after June 18, 2015; (ii) the repurchase of the Company’s shares that causes a holder to become the beneficial owner of 15% or more of the Company’s Class B Common Stock, unless such holder acquires beneficial ownership of additional shares representing one percent or more of the Company’s Class B Common Stock; (iii) acquisitions by way of a pro rata stock dividend or a stock split; (iv) acquisitions solely as a result of any unilateral grant of any security by the Company or through the exercise of any options, warrants, rights or similar interests (including restricted stock) granted by the Company to its directors, officers and employees pursuant to any equity incentive or award plan; or (v) certain acquisitions determined by the Board of Directors to be inadvertent, provided, that following such acquisition, the acquirer promptly, but in any case within 10 business days, divests a sufficient number of shares so that such person would no longer otherwise qualify as an acquiring person.

The rights will expire on June 18, 2018, unless the rights agreement is earlier terminated or extended by the Company, or the rights are earlier redeemed or exchanged by the Company.

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The following table summarizes the activity from continuing and discontinued operations related to the target PSUs and RSUs granted to the Company's employees which will be settled in shares of the Company (PSUs and RSUs in thousands):

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NOTE 13. EARNINGS (LOSS) PER SHARE

The following tables set forth the computation of basic and diluted earnings per share under ASC 260, “Earnings per Share”:

	For the fiscal years ended June 30,		
	2016	2015	2014
	(in millions, except per share amounts)		
Income from continuing operations	\$ 235	\$ 367	\$ 436
Less: Net income attributable to noncontrolling interests	(71)	(69)	(55)
Less: Redeemable preferred stock dividends ^(a)	(2)	(2)	(2)
Income from continuing operations available to News Corporation stockholders	162	296	379
Income (loss) from discontinued operations, net of tax, available to News Corporation stockholders	15	(445)	(142)
Net income (loss) available to News Corporation stockholders	<u>\$ 177</u>	<u>\$ (149)</u>	<u>\$ 237</u>

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NOTE 15. COMMITMENTS AND CONTINGENCIES

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The Company has commitments under certain firm contractual arrangements (“firm commitments”) to make future payments. These firm commitments secure the future rights to various assets and services to be used in the normal course of operations. The following table summarizes the Company’s material firm commitments as of June 30, 2016:

As of June 30, 2016

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The Company routinely is involved in various legal proceedings, claims and governmental inspections or investigations, including those discussed below. The outcome of these matters and claims is subject to significant uncertainty, and the Company often cannot predict what the eventual outcome of pending matters will be or the timing of the ultimate resolution of these matters. Fees, expenses, fines, penalties, judgments or settlement costs which might be incurred by the Company in connection with the various proceedings could adversely affect its results of operations and financial condition.

The Company establishes an accrued liability for legal claims when it determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters. Legal fees associated with litigation and similar proceedings are expensed as incurred. Except as otherwise provided below, for the contingencies disclosed for which there is at least a reasonable possibility that a loss may be incurred, the Company was unable to estimate the amount of loss or range of loss. The Company recognizes gain contingencies when the gain becomes realized or realizable.

U.K. Newspaper Matters and Related Investigations and Litigation

On July 19, 2011, a purported class action lawsuit captioned *Wilder v. News Corp., et al.* was filed on behalf of all purchasers of 21st Century Fox's common stock between March 3, 2011 and July 11, 2011, in the U.S. District Court for the Southern District of New York (the "Wilder Litigation"). The plaintiff brought claims under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934, as amended, alleging that false and misleading statements were issued regarding alleged acts of voicemail interception at *The News of the World*. The suit named as defendants 21st Century Fox, Rupert Murdoch, James Murdoch and Rebekah Brooks, and sought compensatory damages, rescission for damages sustained and costs.

On June 5, 2012, the District Court issued an order appointing the Avon Pension Fund ("Avon") as lead

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In connection with the Separation, the Company and 21st Century Fox agreed in the Separation and Distribution Agreement that 21st Century Fox would indemnify the Company for payments made after the Distribution Date arising out of civil claims and investigations relating to the U.K. Newspaper Matters as well as legal and professional fees and expenses paid in connection with the previously concluded criminal matters, other than fees, expenses and costs relating to employees (i) who are not directors, officers or certain designated employees or (ii) with respect to civil matters, who are not co-defendants with the Company or 21st Century Fox.

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Company, L.P., Foster Poultry Farms, Smithfield Foods, Inc., HP Hood LLC and BEF Foods, Inc. (collectively, the “Named Plaintiffs”) alleged various claims under federal and state antitrust law against News Corporation, News America Incorporated (“NAI”), News America Marketing FSI L.L.C. (“NAM FSI”) and News America Marketing In-Store Services L.L.C. (“NAM In-Store Services” and, together with News Corporation, NAI and NAM FSI, the “NAM Group”), the Named Plaintiffs filed a fourth amended complaint on consent of the parties. The fourth amended complaint asserted federal and state antitrust claims both individually and on behalf of two putative classes in connection with the purchase of in-store marketing services and free-standing insert coupons. The complaint sought treble damages, injunctive relief and attorneys’ fees.

On August 11, 2014, the Named Plaintiffs filed a motion seeking certification of a class of all persons residing in the United States who purchased in-store marketing services on or after April 5, 2008 and did not purchase those services pursuant to contracts with mandatory arbitration clauses. On June 18, 2015, the District Court granted the Named Plaintiffs’ motion, although it subsequently amended the start date of the claim period to April 26, 2009.

On September 10, 2015, the District Court granted a stipulation dismissing with prejudice the Named Plaintiffs’ claims relating to free-standing insert coupons. Trial began on February 29, 2016, and on such date, the parties agreed to settle the litigation. Under the terms of the settlement, which remains subject to District Court approval, the NAM Group agreed, among other things, to pay the plaintiffs and their attorneys approximately \$250 million, and the parties agreed to dismiss the litigation with prejudice. The District Court has scheduled a final settlement approval hearing for September 21, 2016. The NAM Group also settled related claims for approximately \$30 million. As a result, the Company recorded one-time costs of approximately \$280 million for the fiscal year ended June 30, 2016 in NAM Group and Zillow settlements, net in the Company’s Statement of Operations.

Valassis Communications, Inc.

On November 8, 2013, Valassis Communications, Inc. (“Valassis”) initiated legal proceedings against certain of the Company’s subsidiaries alleging violations of various antitrust laws. These proceedings are described in further detail below.

- Valassis previously initiated an action against NAI, NAM FSI and NAM In-Store Services (collectively, the “NAM Parties”), captioned Valassis Communications, Inc. v. News America Incorporated, et al., No. 2:06-cv-10240 (E.D. Mich.) (“Valassis I”), alleging violations of federal antitrust laws, which was settled in February 2010. On November 8, 2013, Valassis filed a motion for expedited discovery in the previously settled case based on its belief that defendants had engaged in activities prohibited under an order issued by the U.S. District Court for the Eastern District of Michigan in connection with the parties’ settlement, which motion was granted by the magistrate judge.

Valassis subsequently filed a Notice of Violation of an order issued by the District Court in Valassis I. The Notice contained allegations that were substantially similar to the allegations Valassis made in Valassis II, described below, and sought treble damages, injunctive relief and attorneys’ fees. The Notice also re-asserted claims of unlawful bundling and tying which the magistrate judge had previously recommended be dismissed from Valassis II on the grounds that such claims could only be brought before a panel of antitrust experts previously appointed in Valassis I (the “Antitrust Expert Panel”). On

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16. RETIREMENT BENEFIT OBLIGATIONS

The Company's employees participate in various defined benefit pension and postretirement plans sponsored by the Company and its subsidiaries. Plans in the U.S., U.K., Australia, and Canada are accounted for as defined benefit pension plans. Accordingly, the funded and unfunded position of each plan is recorded in the Balance Sheets. Actuarial gains and losses that have not yet been recognized through income are recorded in Accumulated other comprehensive (loss) income, net of taxes, until they are amortized as a component of net periodic benefit cost. The determination of benefit obligations and the recognition of expenses related to the plans are dependent on various assumptions. The major assumptions primarily relate to discount rates, expected

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The following table sets forth the change in the projected benefit obligation, change in the fair value of the Company's plan assets and funded status:

	<u>Pension Benefits</u>				<u>Postretirement Benefits</u>		<u>Total</u>	
	<u>Domestic</u>		<u>Foreign</u>		<u>As of June 30,</u>		<u>2016 2015</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(in millions)							
Projected benefit obligation, beginning of								
the year	\$ 382	\$350	\$1,272	\$1,252	\$ 133	\$ 150	\$1,787	\$1,752
Service cost	—	1	10	11	—	—	10	12
Interest cost	17	17	44	49	5	6	66	72
Benefits paid	(18)	(16)	(55)	(58)	(8)	(9)	(81)	J5.25 0

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amounts recognized in Accumulated other comprehensive (loss) income consist of:

	Pension Benefits		Postretirement Benefits		Total			
	Domestic	Foreign	As of June 30,		2016	2015		
	2016	2015	2016	2015	2016	2015		
	(in millions)							
Actuarial losses (gains)	\$158	\$131	\$452	\$439	\$ 2	\$ 4	\$612	\$574
Prior service (benefit) cost	—	—	—	—	(34)	(41)	(34)	(41)
Net amounts recognized	<u>\$158</u>	<u>\$131</u>	<u>\$452</u>	<u>\$439</u>	<u>\$(32)</u>	<u>\$(37)</u>	<u>\$578</u>	<u>\$533</u>

Amounts in Accumulated other comprehensive (loss) income expected to be recognized as a component of net periodic pension cost in fiscal 2017:

	Pension Benefits		Postretirement Benefits		Total	
	Domestic	Foreign	As of June 30, 2016		2016	2015
	(in millions)					
Actuarial losses (gains)	\$ 5	\$ 17	\$ —			\$22
Prior service (benefit) cost	—	—	(4)			(4)
Net amounts recognized	<u>\$ 5</u>	<u>\$ 17</u>	<u>\$ (4)</u>			<u>\$18</u>

Accumulated pension benefit obligations as of June 30, 2016 and 2015 were \$1,588 million and \$1,639 million, respectively. Below is information about funded and unfunded pension plans.

	Domestic Pension Benefits					
	Funded Plans		Unfunded Plans		Total	
	As of June 30,					
	2016	2015	2016	2015	2016	2015
	(in millions)					
Projected benefit obligation	\$ 383	\$ 370	\$ 13	\$ 12	\$ 396	\$ 382
Accumulated benefit obligation	383	368	13	12	396	380
Fair value of plan assets	287	302	—	—	287	302

	Foreign Pension Benefits					
	Funded Plans		Unfunded Plans		Total	
	As of June 30,					
	2016	2015	2016	2015	2016	2015
	(in millions)					
Projected benefit obligation	\$1,131	\$1,198	\$ 70	\$ 74	\$1,201	\$1,272
Accumulated benefit obligation	1,122	1,185	70	74	1,192	1,259
Fair value of plan assets	1,080	1,204	—	—	1,080	1,204

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The accumulated benefit obligation exceeds the fair value of plan assets for all domestic pension plans. Below is information about foreign pension plans in which the accumulated benefit obligation exceeds the fair value of the plan assets.

	Funded Plans		Unfunded Plans		Total	
	As of June 30,				2016	2015
	2016	2015	2016	2015		
	(in millions)					
Projected benefit obligation	\$821	\$550	\$ 70	\$ 74	\$891	\$624
Accumulated benefit obligation	821	549	70	74	891	623
Fair value of plan assets	773	525	—	—	773	525

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The Company recorded \$8 million, (\$4) million and \$7 million in net periodic benefit costs (income) in the Statements of Operations for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. Beginning in fiscal 2017, the Company will change the method used to estimate the service and interest cost components of net periodic benefit costs (income) for its pension and other postretirement benefit plans. For fiscal 2016 and previous periods presented, the Company estimated the service and interest cost components utilizing a single weighted-average discount rate for each country derived from a yield curve used to measure the benefit obligation. The new method utilizes a full yield curve approach in the estimation of these components by

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	Pension Benefits						Postretirement Benefits		
	Domestic			Foreign					
	For the fiscal years ended June 30,								
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Additional information:									
Weighted-average assumptions used to determine benefit obligations									
Discount rate	3.7%	4.5%	4.5%	2.9%	3.7%	4.2%	3.4%	4.2%	4.0%
Rate of increase in future compensation	N/A	3.0%	N/A	2.7%	2.9%	3.6%	N/A	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost									
Discount rate	4.5%	4.5%	5.0%	3.7%	4.2%	4.5%	4.2%	4.0%	4.7%
Expected return on plan assets	6.5%	7.0%	7.0%	5.5%	6.2%	6.8%	N/A	N/A	N/A
Rate of increase in future compensation	3.0%	3.0%	5.3%	2.9%	3.6%	3.7%	N/A	N/A	N/A

N/A – not applicable

The following assumed health care cost trend rates as of June 30 were also used in accounting for postretirement benefits:

	Postretirement benefits	
	Fiscal 2016	Fiscal 2015
Health care cost trend rate	6.7%	6.6%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.6%
Year that the rate reaches the ultimate trend rate	2028	2027

Assumed health care cost trend rates could have a significant effect on the amounts reported for the postretirement health care plan. The effect of a one percentage point increase and one percentage point decrease in the assumed health care cost trend rate would have the following effects on the results for fiscal 2016:

	Service and Interest Costs	Benefit Obligation
	(in millions)	
One percentage point increase	\$ 1	\$ 12
One percentage point decrease	\$ —	\$(11)

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The following table sets forth the estimated benefit payments for the next five fiscal years, and in aggregate for the five fiscal years thereafter. The expected benefits are estimated based on the same assumptions used to measure the Company's benefit obligation at the end of the fiscal year and include benefits attributable to estimated future employee service:

	Expected Benefit Payments			
	Pension Benefits		Postretirement Benefits	Total
	Domestic	Foreign		
(in millions)				
Fiscal year:				
2017	\$ 24	47	9	\$ 80
2018	21	48	9	78
2019	20	50	9	79
2020	20	53	9	82
2021	21	54	9	84
2022-2026	107	292	41	440

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The Company applies the provisions of ASC 715, which requires disclosures including: (i) investment policies and strategies; (ii) the major categories of plan assets; (iii) the inputs and valuation techniques used to measure plan assets; (iv) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and (v) significant concentrations of risk within plan assets.

The table below presents the Company's plan assets by level within the fair value hierarchy, as described in Note 2 – Summary of Significant Accounting Policies, as of June 30, 2016 and 2015:

Description	As of June 30, 2016					As of June 30, 2015				
	Fair Value Measurements at Reporting Date Using					Fair Value Measurements at Reporting Date Using				
	Total	Level 1	Level 2	Level 3	NAV	Total	Level 1	Level 2	Level 3	NAV
(in millions)										
Assets										
Short-term investments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Pooled funds: ^(a)										
Money market funds	—	—	—	—	—	4	—	4	—	—
Domestic equity funds	81	—	—	—	81	88	—	—	—	88
International equity funds	244	—	—	—	244	312	—	—	—	312
Domestic fixed income funds	160	—	—	—	160	162	—	—	—	162
International fixed income funds ..	618	—	—	—	618	585	—	—	—	585
Balanced funds	251	—	57	—	194	337	—	73	—	264
Other	13	2	—	11	—	18	6	—	12	—
Total	<u>\$1,367</u>	<u>\$ 2</u>	<u>\$ 57</u>	<u>\$ 11</u>	<u>\$1,297</u>	<u>\$1,506</u>	<u>\$ 6</u>	<u>\$ 77</u>	<u>\$ 12</u>	<u>\$1,411</u>

^(a) Open-ended pooled funds that are registered and/or available to the general public are valued at the daily

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The table below sets forth a summary of changes in the fair value of investments reflected as Level 3 assets as of June 30, 2016 and 2015:

	Level 3 Investments (in millions)
Balance, June 30, 2014	\$ 12
Actual return on plan assets:	
Relating to assets still held at end of period	1
Relating to assets sold during the period	—
Purchases, sales, settlements and issuances	(1)
Transfers in and out of Level 3	—
Balance, June 30, 2015	\$ 12
Actual return on plan assets:	
Relating to assets still held at end of period	—
Relating to assets sold during the period	—
Purchases, sales, settlements and issuances	(1)
Transfers in and out of Level 3	—
Balance, June 30, 2016	<u>\$ 11</u>

The Company's investment strategy for its pension plans is to maximize the long-term rate of return on plan assets within an acceptable level of risk in order to minimize the cost of providing pension benefits while maintaining adequate funding levels. The Company's practice is to conduct a periodic strategic review of its asset allocation. The Company's current broad strategic targets are to have a pension asset portfolio comprised of 26% equity securities, 62% fixed income securities and 12% in cash and other investments. In developing the expected long-term rate of return, the Company considered the pension asset portfolio's past average rate of returns and future return expectations of the various asset classes. A portion of the other allocation is reserved in short-term cash to provide for expected benefits to be paid in the short term. The Company's equity portfolios are managed in such a way as to achieve optimal diversity. The Company's fixed income portfolio is investment grade in the aggregate. The Company does not manage any assets internally.

The Company's benefit plan weighted-average asset allocations, by asset category, are as follows:

	Pension benefits	
	As of June 30,	
	<u>2016</u>	<u>2015</u>
Asset Category:		
Equity securities	26%	29%
Debt securities	62%	55%
Cash and other	12%	16%
Total	<u>100%</u>	<u>100%</u>

Required pension plan contributions for the next fiscal year are expected to be approximately \$25 million; however, actual contributions may be affected by pension asset and liability valuation changes during the

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NOTE 17. OTHER POSTRETIREMENT BENEFITS

Multiemployer Pension and Postretirement Plans

The Company contributes to various multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover certain of its union-represented employees, primarily at the newspaper businesses. The risks of participating in these multiemployer pension plans are different from single-employer pension plans in that (i) contributions made by the Company to the multiemployer pension plans may be used to provide benefits to employees of other participating employers; (ii) if the Company chooses to stop participating in certain of these multiemployer pension plans, it may be required to pay those plans an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability; and (iii) actions taken by a participating employer that lead to a deterioration of the financial health of a multiemployer pension plan may result in the unfunded obligations of the multiemployer pension plan being borne by its remaining participating employers. While no multiemployer pension plan that the Company contributed to is individually significant to the Company, the Company was listed on certain Form 5500s as providing more than 5% of total contributions based on the current information available. The financial health of a multiemployer plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the plan as certified by the plan's actuary. In general, plans in the red zone are less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded. The funded status of the plans which the Company was listed as providing more than 5% of total contributions reported green zone status for the most recent available plan year. Total contributions made by the Company to multiemployer pension plans for the fiscal years ended June 30, 2016, 2015 and 2014 were approximately \$5 million.

Defined Contribution Plans

The Company has defined contribution plans for the benefit of substantially all employees meeting certain eligibility requirements. Employer contributions to such plans were \$132 million, \$138 million and \$133 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

Deferred Compensation Plan

The Company has non-qualified deferred compensation plans for the benefit of certain management employees. The investment funds offered to the participants generally correspond to the funds offered in the Company's 401(k) plan, and the account balance fluctuates with the investment returns on those funds. The unfunded obligation of the plans included in Other liabilities as of June 30, 2016 and 2015 were \$36 million, and the majority of these plans are closed to new employees.

NOTE 18. INCOME TAXES

Income (loss) before income tax (benefit) expense was attributable to the following jurisdictions:

For the fiscal years ended June 30,
2016

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The significant components of the Company's income tax (benefit) expense were as follows:

For the fiscal years ended June 30,
2016

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Refer to the table below for the net impact of the tax refund and interest, net of tax, recorded in the Statements of Operations:

For the fiscal year

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- ^(d) For the fiscal year ended June 30, 2016, the effective tax rate of (30%) represents income tax benefit when compared to consolidated pre-tax book income. For the fiscal year ended June 30, 2015, the effective tax rate of 34% represents an income tax expense when compared to consolidated pre-tax book income. For the fiscal year ended June 30, 2014, the effective tax rate of 345% represents an income tax benefit when compared to consolidated pre-tax book loss. As a result, certain reconciling items between the U.S. federal income tax rate and the Company's effective tax rate may have the opposite impact.

The Company recognized current and deferred income taxes in the Balance Sheets at June 30, 2016 and 2015, respectively:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015^(a)</u>
	<u>(in millions)</u>	
Other current assets		

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As of June 30, 2016, the Company had income tax Net Operating Loss Carryforwards (NOLs) (gross, net of uncertain tax benefits), in various jurisdictions as follows:

<u>Jurisdiction</u>	<u>Expiration</u>	<u>Amount (in millions)</u>
U.S. Federal	2021 to 2036	\$858
U.S. States	Various	581
Australia	Indefinite	452
U.K.	Indefinite	134
Other Foreign	Various	346

Utilization of the NOLs is dependent on generating sufficient taxable income from our operations in each of the respective jurisdictions to which the NOLs relate, while taking into account limitations and/or restrictions on our ability to use them. Certain of our U.S. Federal NOLs were acquired as part of the acquisitions of Move and Harlequin and are subject to limitations as promulgated under Section 382 of the Code. Section 382 of the Code limits the amount of acquired NOLs that we can use on an annual basis to offset future U.S. consolidated taxable income. The NOLs are also subject to review by relevant tax authorities in the jurisdictions to which they relate.

The Company recorded a deferred tax asset of \$580 million and \$540 million (net of approximately \$53 million and \$95 million, respectively, of unrecognized tax benefits) associated with its NOLs as of June 30, 2016 and 2015, respectively. Significant judgment is applied in assessing our ability to realize our NOLs and other tax assets. Management assesses the available positive and negative evidence to estimate if sufficient future

NEWS CORPORATION

NEWS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ultimately expected to be paid, however, the Company may need to accrue additional income tax expense and our liability may need to be adjusted as new information becomes known and as these tax examinations continue to progress, or as settlements or litigations occur.

NEWS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

general fiction, nonfiction, children's and religious publishing. HarperCollins owns more than 120 branded publishing imprints, including Avon, Harper, HarperCollins Children's Books, William Morrow, Harlequin and Christian publishers Zondervan and Thomas Nelson, and publishes works by well-known authors such as Harper Lee, Mitch Albom, Veronica Roth, Rick Warren, Sarah Young and Agatha Christie and popular titles such as *The Hobbit*, *Goodnight Moon*, *To Kill a Mockingbird*, *Jesus Calling* and the *Divergent* series.

- **D** **Es** **s**—The Digital Real Estate Services segment consists primarily of the Company's interests in REA Group and Move. REA Group is a publicly traded company listed on the Australian Securities Exchange (ASX: REA) that advertises property and property-related services on websites and mobile applications across Australia, Europe and Asia. REA Group operates Australia's leading residential and commercial property websites, realestate.com.au and realcommercial.com.au. The Company holds a 61.6% interest in REA Group.

Move, acquired in November 2014, is a leading provider of online real estate services in the U.S. and primarily operates realtor.com®, a premier real estate information and services marketplace. Move also offers a number of professional software and services products, including Top Producer®, TigerLead® and ListHub™. The Company owns an 80% interest in Move, with the remaining 20% being held by REA Group.

- **C** **N** —The Cable Network Programming segment consists of FOX SPORTS Australia, the leading sports programming provider in Australia, with seven high definition television channels distributed via cable, satellite and IP, several interactive viewing applications and broadcast rights to live sporting events in Australia including: National Rugby League, the domestic football league, international cricket and Australian Rugby Union.
- **O** —The Other segment consists primarily of general corporate overhead expenses, the corporate Strategy and Creative Group and costs related to the U.K. Newspaper Matters. The Company's corporate Strategy and Creative Group was formed to identify new products and services across its businesses to increase revenues and profitability and to target and assess potential acquisitions and investments.

Segment EBITDA is defined as revenues less operating expenses, and selling, general and administrative expenses and excluding the impact from the NAM Group and Zillow legal settlements. Segment EBITDA does not include: Depreciation and amortization, impairment and restructuring charges, equity earnings of affiliates, interest, net, other, net, income tax benefit (expense) and net income attributable to noncontrolling interests. Segment EBITDA may not be comparable to similarly titled measures reported by other companies, since companies and investors may differ as to what items should be included in the calculation of Segment EBITDA.

Segment EBITDA is the primary measure used by the Company's chief operating decision maker to evaluate the performance of and allocate resources within the Company's businesses. Segment EBITDA provides management, investors and equity analysts with a measure to analyze the operating performance of each of the Company's business segments and its enterprise value against historical data and competitors' data, although historical results may not be indicative of future results (as operating performance is highly contingent on many

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GAAP. In addition, this measure does not reflect cash available to fund requirements and excludes items, such as

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	For the fiscal years ended June 30,		
	2016	2015	2014
	(in millions)		
Capital expenditures:			
News and Information Services	\$174	\$238	\$268
Book Publishing	9	12	52
Digital Real Estate Services	64	45	24
Cable Network Programming	8	7	7
Other	1	6	7
Total Capital expenditures	<u>\$256</u>	<u>\$308</u>	<u>\$358</u>
		As of June 30,	
		2016	2015
		(in millions)	
Total assets:			
News and Information Services	\$ 6,728	\$ 6,749	
Book Publishing	1,855	2,022	
Digital Real Estate Services	2,158	1,278	
Cable Network Programming	1,101	1,163	
Other ^(a)	1,371	1,352	
Investments	2,270	2,379	
Assets held for sale	—	92	
Total assets	<u>\$15,483</u>	<u>\$15,035</u>	

^(a) The Other segment primarily includes Cash and cash equivalents.

	As of June 30,	
	2016	2015
	(in millions)	
Goodwill and intangible assets, net:		
News and Information Services	\$ 2,651	\$ 2,593
Book Publishing	869	896
Digital Real Estate Services	1,499	835
Cable Network Programming	898	938
Other	4	4
Total goodwill and intangible assets, net	<u>\$ 5,921</u>	<u>\$ 5,266</u>

Geographic Segments

	For the fiscal years ended June 30,		
	2016	2015	2014
	(in millions)		
Revenues: ^(a)			
U.S. and Canada ^(b)	\$3,920	\$3,808	\$3,631
Europe ^(c)	1,873	1,982	2,045
Australasia and Other ^(d)	2,499	2,734	2,810
Total revenues	<u>\$8,292</u>	<u>\$8,524</u>	<u>\$8,486</u>

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Revenues are attributed to region based on location of customer.

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

O N -C Ass s

The following table sets forth the components of Other non-current assets included in the Balance Sheets:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
	(in millions)	
Royalty advances to authors	\$311	\$304
Other	<u>85</u>	<u>163</u>
Total Other non-current assets	<u>\$396</u>	<u>\$467</u>

O C L s

The following table sets forth the components of Other current liabilities:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
	(in millions)	
Current tax payable	\$ 33	\$ 27
Royalties and commissions payable	179	163
Other	<u>254</u>	<u>211</u>
Total Other current liabilities	<u>\$466</u>	<u>\$401</u>

O ,

The following table sets forth the components of Other, net included in the Statements of Operations:

	<u>For the fiscal years ended June 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(in millions)		
Gain on iProperty transaction ^(a)	\$ 29	\$ —	\$ —
Impairment of marketable securities and cost method investments ^(b)	(21)	(5)	(10)
Foreign tax refund payable to 21st Century Fox ^(c)	—	—	(721)
Gain on third party pension contribution ^(d)	—	—	37
Gain on sale of Australian property	—	—	36
Gain on sale of marketable securities ^(e)	—	29	6
Dividends received from cost method investments	—	25	—
Gain on sale of cost method investments	—	15	—
Other	<u>10</u>	<u>11</u>	<u>(1)</u>
Total Other, net	<u>\$ 18</u>	<u>\$ 75</u>	<u>\$(653)</u>

(a) See Note 3—Acquisitions, Disposals and Other Transactions.

(b) See Note 6—Investments

(c) See Note 18—Income Taxes

(d) During the first quarter of fiscal 2014 approximately \$37 million of contributions were made to a foreign pension plan by a third party in connection with the sale of a business in a prior period on behalf of former employees who retained certain pension benefits. This contribution reduced the Company's Retirement benefit obligation and resulted in a gain being recognized in Other, net in the Statement of Operations during the fiscal year ended June 30, 2014.

NEWS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (e) In August 2014, REA Group completed the sale of a minority interest held in marketable securities for total cash consideration of \$104 million. As a result of the sale, REA Group recognized a pre-tax gain of \$29 million, which was reclassified out of accumulated other comprehensive income and included in Other, net in the Statement of Operations.

A O C s (L ss) I

The components of Accumulated other comprehensive (loss) income were as follows:

For the fiscal years ended June 30,

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21. VALUATION AND QUALIFYING ACCOUNTS

	<u>Balance at beginning of year</u>	<u>Additions</u>	<u>Acquisitions and disposals</u>	<u>Utilization</u>	<u>Foreign exchange</u>	<u>Balance at end of year</u>
	(in millions)					
<u>Fiscal 2016</u>						
Allowances for returns and doubtful accounts . . .	\$ (220)	\$(566)	\$ (12)	\$582	\$ 3	\$ (213)
Deferred tax valuation allowance	(1,308)	(8)	109	114	79	(1,014)
<u>Fiscal 2015</u>						
Allowances for returns and doubtful accounts . . .	\$ (175)	\$(573)	\$ (68)	\$586	\$ 10	\$ (220)
Deferred tax valuation allowance	(1,393)	(102)	(186)	290	83	(1,308)
<u>Fiscal 2014</u>						
Allowances for returns and doubtful accounts . . .	\$ (175)	\$(382)	\$ —	\$384	\$ (2)	\$ (175)
Deferred tax valuation allowance	(1,391)	(105)	—	—	103	(1,393)

NEWS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22. QUARTERLY DATA (UNAUDITED)

For convenience purposes, all references to September 30, 2015 and September 30, 2014 refer to the three months ended September 27, 2015 and September 28, 2014, respectively. All references to December 31, 2015 and December 31, 2014 refer to the three months ended December 27, 2015 and December 28, 2014, respectively. All references to March 31, 2016 and March 31, 2015 refer to the three months ended March 27, 2016, and March 29, 2015, respectively.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management's report and the report of the independent registered public accounting firm thereon are set forth on pages 77 and 78, respectively, and are incorporated herein by reference.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fourth quarter of the fiscal year ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item with respect to the Company's Directors is contained in the Proxy Statement for the Company's 2016 Annual Meeting of Stockholders (the "Proxy Statement") to be filed with the SEC under the heading "Proposal No. 1: Election of Directors" and is incorporated by reference in this Annual Report.

The information required by this item with respect to the Company's executive officers is contained in the Proxy Statement under the heading "Executive Officers of News Corporation" and is incorporated by reference in this Annual Report.

The information required by this item with respect to compliance with Section 16(a) of the Exchange Act is contained in the Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated by reference in this Annual Report.

The information required by this item with respect to the Company's Standards of Business Conduct and Code of Ethics is contained in the Proxy Statement under the heading "Corporate Governance Matters—Corporate Governance Policies" and is incorporated by reference in this Annual Report.

The information required by this item with respect to the procedures by which security holders may recommend nominees to the Board of Directors is contained in the Proxy Statement under the heading "Corporate Governance Matters—Stockholder Recommendation of Director Candidates" and is incorporated by reference in this Annual Report.

The information required by this item with respect to the Company's Audit Committee, including the Audit Committee's members and its financial expert, is contained in the Proxy Statement under the heading "Corporate Governance Matters—Board Committees" and is incorporated by reference in this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item with respect to executive compensation and director compensation is contained in the Proxy Statement under the headings "Compensation Discussion and Analysis," "Executive Compensation" and "Director Compensation," respectively, and is incorporated by reference in this Annual Report.

The information required by this item with respect to compensation committee interlocks and insider participation is contained in the Proxy Statement under the heading "Compensation Committee Interlocks and Insider Participation" and is incorporated by reference in this Annual Report.

The compensation committee report required by this item is contained in the Proxy Statement under the heading "Report of the Compensation Committee" and is incorporated by reference in this Annual Report.

The information required by this item with respect to compensation policies and practices as they relate to the Company's risk management is contained in the Proxy Statement under the heading "Risks Related to Compensation Policies and Practices" and is incorporated by reference in this Annual Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item with respect to securities authorized for issuance under the Company's equity compensation plans is contained in the Proxy Statement under the heading "Equity Compensation Plan Information" and is incorporated by reference in this Annual Report.

The information required by this item with respect to the security ownership of certain beneficial owners and management is contained in the Proxy Statement under the heading “Security Ownership of News Corporation” and is incorporated by reference in this Annual Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item with respect to transactions with related persons is contained in the Proxy Statement under the heading “Corporate Governance Matters—Related Party Transactions Policy” and is incorporated by reference in this Annual Report.

The information required by this item with respect to director independence is contained in the Proxy Statement under the headings “Corporate Governance Matters—Director Independence” and “Corporate Governance Matters—Board Committees” and is incorporated by reference in this Annual Report.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is contained in the Proxy Statement under the headings “Fees Paid to Independent Registered Public Accounting Firm” and “Audit Committee Pre-Approval Policies and Procedures” and is incorporated by reference in this Annual Report.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. The Company's Consolidated Financial Statements required to be filed as part of this Annual Report and the Reports of Independent Registered Public Accounting Firm are included in Part II, Item 8. Financial Statements and Supplementary Data.
2. All other financial statement schedules are omitted because the required information is not applicable, or because the information called for is included in the Company's Consolidated Financial Statements or the Notes to the Consolidated Financial Statements.
3. Exhibits—The exhibits listed on the accompanying Exhibit Index filed or incorporated by reference as part of this Annual Report and such Exhibit Index is incorporated herein by reference. On the Exhibit Index, a “±” identifies each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report, and such listing is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEWS CORPORATION
(Registrant)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> <u>/s/ James R. Murdoch</u> James R. Murdoch	Director	August 12, 2016
<hr/> <u>/s/ Ana Paula Pessoa</u> Ana Paula Pessoa	Director	August 12, 2016
<hr/> <u>/s/ Masroor Siddiqui</u> Masroor Siddiqui	Director	August 12, 2016

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Separation and Distribution Agreement, dated June 28, 2013, among News Corporation, New News Corporation and News Corp Holdings UK & Ireland. (Incorporated by reference to Exhibit 2.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
2.2	Tax Sharing and Indemnification Agreement, dated June 28, 2013, between News Corporation and New News Corporation. (Incorporated by reference to Exhibit 2.3 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
2.3	FOX SPORTS Trade Mark Licence. (Incorporated by reference to Exhibit 2.5 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
2.4	FOX Trade Mark Licence. (Incorporated by reference to Exhibit 2.6 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
3.1	Restated Certificate of Incorporation of News Corporation (Incorporated by reference to Exhibit 3.1 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on September 20, 2013.)
3.2	Amended and Restated By-laws of News Corporation. (Incorporated by reference to Exhibit 3.2 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on July 3, 2013.)
4.1	Second Amended and Restated Rights Agreement, dated as of June 18, 2015, between News Corporation and Computershare Trust Company, N.A., as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on June 18, 2015.)
10.1	Amended and Restated Employment Agreement, dated March 9, 2016, among News Corporation, NC Transaction, Inc. and Robert Thomson. (Incorporated by reference to Exhibit 10.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on March 9, 2016.)±
10.2	Amended and Restated Employment Agreement, dated March 9, 2016, among News Corporation, NC Transaction, Inc. and Bedi Ajay Singh. (Incorporated by reference to Exhibit 10.2 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on March 9, 2016.)±
10.3	Employment Agreement, dated February 9, 2015, between NC Transaction, Inc. and David Pitofsky. (Incorporated by reference to Exhibit 10.1 to the Quarterly Report of News Corporation on Form 10-Q (File No. 001-35769) filed with the Securities and Exchange Commission on May 6, 2015.)±
10.4	News Corporation 2013 Long-Term Incentive Plan, as amended and restated effective August 6, 2014. (Incorporated by reference to Exhibit 10.1 to the Current Report of News Corporation on Form 8-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 11, 2014.)±
10.5	NC Transaction, Inc. Restoration Plan. (Incorporated by reference to Exhibit 10.8 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on September 20, 2013.)±

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.6	Form of Agreement for FY2015-2017 and FY2016-2018 Cash-Settled Performance Stock Units under the News Corporation 2013 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.9 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 14, 2014.)±
10.7	Form of Agreement for FY2015-2017 and FY2016-2018 Stock-Settled Performance Stock Units under the News Corporation 2013 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.10 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 14, 2014.)±
10.8	Letter Agreement, dated June 27, 2014, from News Corporation to K. Rupert Murdoch. (Incorporated by reference to Exhibit 10.12 to the Annual Report of News Corporation on Form 10-K (File No. 001-35769) filed with the Securities and Exchange Commission on August 14, 2014.)±
10.9	Form of Agreement for Cash-Settled Performance Stock Units under the News Corporation 2013 Long-Term Incentive Plan. *±
10.10	Form of Agreement for Stock-Settled Performance Stock Units under the News Corporation 2013 Long-Term Incentive Plan. *±
10.11	Form of Agreement for Stock-Settled Restricted Share Units under the News Corporation 2013 Long-Term Incentive Plan. *±
10.12	Credit Agreement, dated as of October 23, 2013, among News Corporation, as borrower, the lenders named therein, the initial issuing banks named therein, JPMorgan Chase Bank, N.A. and Citibank, N.A. as co-administrative agents, JPMorgan Chase Bank, N.A. as designated agent, Commonwealth Bank of Australia as syndication agent and J.P. Morgan Securities LLSnge Fup4(the6.)-25UCorporatio4b252(Ne257

<u>Exhibit Number</u>	<u>Exhibit Description</u>
101	The following financial information from the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the fiscal years ended June 30, 2016, 2015 and 2014; (ii) Consolidated Statements of Comprehensive (Loss) Income for the fiscal years ended June 30, 2016, 2015 and 2014; (iii) Consolidated Balance Sheets as of June 30, 2016 and 2015; (iv) Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2016, 2015 and 2014; (v) Consolidated Statements of Equity for the fiscal years ended June 30, 2016, 2015 and 2014 and (vi) Notes to the Consolidated Financial Statements. *

* Filed herewith

** Furnished herewith

± Management contract or compensatory plan or arrangement

News Corporation 2013 Long-Term Incentive Plan
PERFORMANCE STOCK UNIT TERMS AND CONDITIONS NOTICE
For the FY[] – FY[] Performance Cycle

(Cash)

Award of Performance Stock Units

News Corporation, a Delaware corporation (“News Corp”), has awarded you the target number of cash-settled performance stock units (“PSUs”) relating to shares of its Class A Common Stock, par value \$0.01 per share (the “NWSA Shares”), as set forth in your Summary of PSU Award (collectively, the “PSU Award”). The terms and conditions of the PSU Award are set forth in this PSU Terms and Conditions Notice, including any terms and conditions applicable to your country set forth in Appendix A attached hereto and incorporated by reference herein (collectively, this “PSU Terms and Conditions Notice”) and in the News Corporation 2013 Long-Term Incentive Plan, as amended and restated (the “2013 LTIP”).

The terms of the 2013 LTIP are incorporated herein by reference. All capitalized terms that are not defined in this PSU Terms and Conditions Notice have the meaning set forth in the 2013 LTIP. By accepting the PSU Award, you agree to all of the terms and conditions described in this PSU Terms and Conditions Notice (including in Appendix A attached hereto) and in the 2013 LTIP. You acknowledge that you have carefully reviewed the 2013 LTIP and agree that the terms of the 2013 LTIP will control in the case of any conflict between this PSU Terms and Conditions Notice and the 2013 LTIP.

Subject to the terms and conditions set forth herein, PSUs represent the potential to receive cash (the “Cash Value”) based on the performance of News Corporation over the performance cycle. The Cash Value of the PSUs is determined by the Cash Value of the NWSA Shares at the end of the performance cycle. The Cash Value of the NWSA Shares is determined by the closing price of the NWSA Shares on the New York Stock Exchange on the last trading day of the performance cycle. The Cash Value of the PSUs is subject to the terms and conditions set forth in the 2013 LTIP.

and such PSUs will no longer be considered to be held by you for any purpose.

Dividend Equivalents

Dividend Equivalents will be credited on each PSU granted to you under your PSU Award in the manner set forth below. If News Corp declares one or more regular cash dividends (each, a "Dividend") on the NWSA Shares during the period commencing on the Date of Grant of your PSU Award and ending on and including the day immediately preceding the day the PSUs are settled, then, on the date each such Dividend is paid to holders of NWSA Shares, you will be credited with Dividend Equivalents based on the amount of such Dividend that would have been payable to you if you held, as of the record date for such Dividend, a number of NWSA Shares equal to (i) the number of PSUs granted to you on the Date of Grant plus (ii) the number of NWSA Shares that any Dividend Equivalents previously credited to you under this PSU Terms and Conditions Notice were deemed to have been reinvested in pursuant to the next succeeding sentence. Each Dividend Equivalent will be deemed to have been reinvested in NWSA Shares as of the Dividend payment date based on the Fair Market Value of an NWSA Share on the day immediately preceding such Dividend payment date. Dividend Equivalents will be payable in cash. The foregoing does not obligate News Corp to pay dividends on NWSA Shares and nothing in the 2013 LTIP or in this PSU Terms and Conditions Notice shall be interpreted as creating such an obligation.

Any Dividend Equivalents credited to you will be subject to all of the provisions of this PSU Terms and Conditions Notice which apply to the PSUs with respect to which they have been credited and will be payable, if at all, at the time and to the extent that the underlying PSUs becomes payable. For the avoidance of doubt, the number of NWSA Shares for which you will

and Conditions Notice and Appendix A.

Consent to Electronic Delivery

News Corp may choose to deliver certain statutory materials relating to the 2013 LTIP in electronic form. By accepting the PSU Award, you agree that News Corp and its Affiliates may deliver the 2013 LTIP, the 2013 LTIP prospectus, News Corp's annual report on Form 10-K and any related documents to you in an electronic format. If, at any time, you would prefer to receive paper copies of any such documents that you are entitled to receive, News Corp would be pleased to provide paper copies. Please contact the News Corp Equity Plans Group at EquityPlanAdmin@newscorp.com to request paper copies of these documents.

2013 LTIP Materials

Copies of the 2013 LTIP, the 2013 LTIP prospectus and News Corp's annual report on Form 10-K are available on the Fidelity Stock Plan Services website at www.netbenefits.com.

Section 409A

It is intended that this PSU Terms and Conditions Notice comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, this PSU Terms and Conditions Notice will be interpreted and administered to be in compliance with Section 409A of the Code. To the extent that News Corp determines that you would be subject to the additional taxes or penalties imposed on certain nonqualified deferred compensation plans pursuant to Section 409A of the Code as a result of any provision of this PSU Terms and Conditions Notice, (such as the provisions of Section 409A of the Code) you will be responsible for the payment of such taxes and penalties when they become due.

PERFORMANCE STOCK UNIT TERMS AND CONDITIONS NOTICE

As soon as is reasonably practicable following the vesting date set forth on the Summary of PSU Award (but in no event beyond December 31 of the calendar year in which the applicable vesting date occurs), the NWSA Shares payable with respect to the vested PSUs

will be issued and evidenced in such mann

Retention and Other Rights

The PSU Award does not give you the right to be retained or employed by News Corp or any Affiliate in any capacity for any given period or upon any specific terms of employment.

settlement of any NWSA Shares upon or following a termination of employment or a termination of Service that are considered “deferred compensation” under Section 409A of the Code, references to your “termination of employment” or

News Corporation 2013 Long-Term Incentive Plan
RESTRICTED SHARE UNIT TERMS AND CONDITIONS NOTICE

(Stock)

Award of Restricted Share Units

News Corporation, a Delaware corporation (“News Corp”), has awarded you the number of restricted share units (“RSUs”) relating to shares of its Class A Common Stock, par value \$0.01 per share (the “NWSA Shares”), as set forth in your Summary of RSU Award (collectively, the “RSU Award”). The terms and conditions of the RSU Award are set forth in this RSU Terms and Conditions Notice, including any terms and conditions applicable to your country set forth in Appendix A attached hereto and incorporated by reference herein (collectively, this “RSU Terms and Conditions Notice”) and in the News Corporation 2013 Long-Term Incentive Plan, as amended and restated (the “2013 LTIP”).

The terms of the 2013 LTIP are incorporated herein by reference. All capitalized terms that are not defined in this RSU Terms and Conditions Notice have the meaning set forth in the 2013 LTIP. By accepting the RSU Award, you agree to all of the terms and conditions described in this RSU Terms and Conditions Notice (including in Appendix A attached hereto) and in the 2013 LTIP. You acknowledge that you have carefully reviewed the 2013 LTIP and agree that the terms of the 2013 LTIP will control in the case of any conflict between this RSU Terms and Conditions Notice and the 2013 LTIP.

Subject to the terms and conditions set forth herein, RSUs represent the potential to receive, at the end of the applicable vesting period, a number of NWSA Shares (the “RSU Program”).

The NWSA Shares that you are entitled to receive (if 2 (a) 01-5 (d) 4.9 (Norporp)-4 has's-1

date immediately prior to the vesting date); provided that the NWSA Shares so withheld will have an aggregate Fair Market Value not exceeding the minimum amount of tax required to be withheld by applicable law.

Emplo

No Vested Right in Future Awards

Participant acknowledges and agrees (by accepting the RSU Award and

RSU Award Transferability

Your RSUs may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, whether by operation of law or

Special Non-U.S. Terms and Conditions

Notwithstanding any provisions in this RSU Terms and Conditions Notice, the RSU Award shall be subject to any special terms and conditions applicable to your country set forth in Appendix A attached hereto, which constitutes part of this PSU Terms and Conditions Notice. Moreover, if you relocate to one of the countries included in Appendix A, the special terms and conditions for such country will apply to you, to the extent News Corp determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. You agree that the terms and conditions set forth in Appendix A

NEWS CORPORATION
List of Subsidiaries

NEWS LIMITED

IForm Online Pty Ltd	Australia
A.C.N. 000 024 028 Pty. Limited	Australia
A.C.N. 067 052 386 Pty Limited	Australia
A.C.N. 105 222 026 Pty. Limited	Australia
A.C.N. 163 565 955 Pty Limited	Australia
Advertiser Newspapers Pty. Limited	Australia
Advertiser-News Weekend Publishing Company Pty. Limited	Australia
AH BR Pty Limited	Australia
Allied Press Limited	Papua New Guinea
atHome Group S.A.	Luxembourg
atHome International S.A.	Luxembourg
Austin Bidco Pty Ltd	Australia
Austin Rollco Limited	Australia
Australian Independent Business Media Pty Ltd	Australia
AWKO Pty. Limited	Australia
Binni Pty Limited	Australia
Brickz Research Sdn Bhd	Malaysia
Brisbane Broncos (Licencee) Pty Limited	Australia
Brisbane Broncos Corporation Pty Ltd (Trustee)	Australia
Brisbane Broncos Corporation Trust	Australia
Brisbane Broncos Limited	Australia
Brisbane Broncos Management Corporation Pty Ltd	Australia
Brisbane Broncos Rugby League Club Ltd	Australia
Brisbane Professional Sports Investment Pty Ltd	Australia
Business Spectator Pty Ltd	Australia
Cairns Digital Media Pty Ltd	Australia
Careerone Services Pty. Limited	Australia
casa.it Srl	Italy
Chesterland Pty. Limited	Australia
Consolidated Media Holdings Pty Limited	Australia
Courier Newspaper Holdings Pty Limited	Australia
Courier Newspaper Management Holdings Pty Limited	Australia
Courier Newspaper Operations Pty Ltd	Australia
Davies Brothers Pty. Limited	Australia
Diakrit (Thailand) Co Ltd	Thailand
Diakrit 3D Co Ltd	Thailand
Diakrit Australia Pty Ltd	Australia
Diakrit Denmark ApS	Denmark
Diakrit Fastighetsmaklarservice AB	Sweden
Diakrit Holdings Co. Ltd	Thailand
Diakrit Interactive Media Aktiebolag	Sweden
Diakrit International (Thailand) Co., Ltd	Thailand
Diakrit International AB	Sweden
Diakrit International Ltd	Hong Kong
Diakrit IT Services Co Ltd	Thailand
Diakrit Norge AS	Norway
Diakrit USA Inc	USA
Double Bay Newspapers Pty Ltd	Australia
Duvir Holdings Pty. Limited	Australia

Eastern Suburbs Newspaper Partnership	Australia
EP Securities Pty. Limited	Australia
Finance 18.com Ltd	Hong Kong
Flagship Studio Co., Ltd	Thailand
Flatmates.com.au Pty Ltd	Australia
Fox Sports Australia BV	Netherlands
Fox Sports Australia Pty Limited	Australia
Fox Sports Pulse Pty Limited	Australia
Fox Sports Venue Pty Limited	Australia
FS (Australia) I Pty Limited	Australia
FS (Australia) II Pty Limited	Australia
Geelong Advertiser (Holdings) Pty. Limited	Australia
Geelong Newspapers Proprietary Limited	Australia
General Newspapers Pty Ltd	Australia
GoHome H.K. Co. Ltd	Hong Kong
Gold Coast Publications Pty. Limited	Australia
House18.com Services Ltd	Hong Kong
Hub Online Global Pty. Ltd	Australia
Info-Tools Ptd Ltd	Singapore
IPGA Management Services Sdn Bhd	Malaysia
IPGA Share Plan Pty Ltd	Australia
IPKO Pty. Limited	Australia
iProperty (Thailand) Co., Ltd	Thailand
iProperty Group Asia Pte Ltd	Australia
iProperty Group Limited	Australia
Iproperty.com Events Sdn Bhd	Malaysia
iProperty.com Malaysia Sdn Bhd	Malaysia
iProperty.com Pty Ltd	Australia
Iproperty.com Singapore Pte Ltd	Singapore
Kid Ruang Yu Co., Ltd	Thailand
KidsNewZealand Limited	New Zealand
Kidspot.com.au Pty Limited	Australia
Laurelgrove Pty Limited	Australia
Leader Associated Newspapers Pty. Limited	Australia
Leteno Pty. Limited	Australia
Media Cell Pty Ltd	Australia
Messenger Press Proprietary Limited	Australia
Mirror Newspapers Pty. Limited	Australia
NAH Finance Pty Limited	Australia
National Rugby League Investments Pty. Limited	Australia
Nationwide News Pty. Limited	Australia
Nationwide Newspapers Pty. Limited	Australia
News (NAPI) Pty. Limited	Australia
News Australia Holdings Pty Limited	Australia
News Australia (Limited)-16078(AusNew6(Australia)]TJT*[(News)-248(Ay)-251(90snJgm3.1(Pty.)x83(Australia)]TJT*oers)-253.	

News Pay TV Investment Pty Ltd	Australia
News Pay TV Pty. Limited	Australia
News Print Media Pty Limited	Australia
News Publishers Holdings Pty. Limited	Australia
News Sports Programming Pty. Limited	Australia
News TV Magazines Pty. Limited	Australia
NL/HIA JV Pty Limited	Australia
One Sport Technology (UK) Limited	United Kingdom
One Sport Technology Group Pty Limited	Australia
ozhomevalue Pty Limited	Australia
Pacific Sports Holdings Pty Limited	Australia
Pacific Sports International Pty Limited	Australia
Pay TV Management Pty Limited	Australia
Pay TV Partnership	Australia
PBL Management Pty Limited	Australia
PBL Pay TV Pty Limited	Australia
Perth Print Pty. Limited	Australia
Point Out Productions Pty Ltd	Australia
Post Courier Limited	Papua New Guinea
Prakard.com (Hong Kong) Limited	Hong Kong
Primedia Limited	Hong Kong
Property Look Pty Limited	Australia
Property.com.au Pty Ltd	Australia
PT Web Marketing Indonesia	Indonesia
QP Ventures Pty. Limited	Australia
Queensland Entertainment Services Pty Ltd	Australia
Queensland Newspapers Pty. Limited	Australia
REA Austin Pty Ltd.	Australia
REA Group Consulting (Shanghai) Co. Limited	China
REA Group Europe Limited	United Kingdom
REA Group European Production Centre S.A.	Luxembourg
REA Group Hong Kong Ltd	Hong Kong
REA Group Ltd	Australia
REA HK Co Limited	Hong Kong
REA Italia Srl	Italy
REA US Holding Co. Pty Ltd	Australia
Realestate.com.au Pty Ltd	Australia
Royal Children's Hospital Good Friday Appeal Limited	Australia
Rugby International Pty. Limited	Australia
SheSpot.com.au Pty Limited	Australia
Sky Cable Pty Limited	Australia
Smart Expo Limited	Hong Kong
South Pacific Post Pty Ltd	Papua New Guinea
Sport by Numbers Pty Ltd	Australia
Sports Technology Group Pty Ltd	Australia
Suburban Publications Pty Limited	Australia
Sunshine Coast Publishing Pty Ltd	Australia
Super League Pty. Limited	Australia
Television Broadcasters Investments Pty. Ltd.	Australia
The Cairns Post Proprietary Limited	Australia
The Courier-Mail Children's Fund Pty. Limited	Australia
The Geelong Advertiser Pty. Limited	Australia
The Herald and Weekly Times Pty. Limited	Australia
The North Queensland Newspaper Company Pty. Limited	Australia

Think iProperty Sdn Bhd

Malaysia

The Times Literary Supplement Limited	United Kingdom
Times Crosswords Limited	United Kingdom
Times Media Limited	United Kingdom
Times Newspapers Holdings Limited	United Kingdom
Times Newspapers Limited	United Kingdom
Tower Trustees Limited	United Kingdom
Unruly Group Limited	United Kingdom
Unruly Holdings Limited	United Kingdom
Unruly Media AB	Sweden
Unruly Media AS	Norway
Unruly Media GmbH	Germany
Unruly Media Limited	United Kingdom
Unruly Media Pte Ltd	Singapore
Unruly Media Pty Ltd	Australia
Unruly Media Sarl	France
WorKazoo Limited	United Kingdom
HARPERCOLLINS PUBLISHERS L.L.C.	United States of America
HarperCollins Brasil Participações Societárias S.A.	Brazil
Casa dos Livros Editora Ltda.	Brazil
Editora HR Ltda.	Brazil
Vida Melhor Editora S.A.	Brazil
Grupo Nelson Inc.	United States of America
HarperCollins Christian Publishing, Inc.	United States of America
HarperCollins Mexico, SA de CV	Mexico
The Zondervan Corporation L.L.C.	United States of America
Thomas Nelson Export Inc.	United States of America
Vida Publishers L.L.C.	United States of America
Zondervan (Republica Dominicana) S.A	Dominican Republic
HARLEQUIN ENTERPRISES LIMITED	Canada
DEI CSEP, Inc.	United States of America
eHarlequin.ca Ltd	Canada
Harlequin Books S.A.	Switzerland
Harlequin Digital Sales Corporation	United States of America
Harlequin Enterprises (Australia) Pty Ltd.	Australia
Harlequin Enterprises II BV/Sarl	Luxembourg
Harlequin Holdings Inc.	United States of America
Harlequin Holdings S.A.	Switzerland
Harlequin Investments Ltd. (Canada)	Canada
Harlequin Italia Srl	Italy
Harlequin Kft. (aka Harlequin Magyarország Korlátolt Felelősségű Társaság)	Hungary
Harlequin Magazines Inc.	United States of America
Harlequin Products Inc.	United States of America
Harlequin Retail Inc.	United States of America
Harlequin Sales Corporation	United States of America
HarperCollins France S.A	France
HarperCollins Germany GmbH	Germany
HarperCollins Iberica S.A.	Spain
HarperCollins Italia S.p.A.	Italy
HarperCollins Nordic AB	Sweden
HarperCollins Polska S.P. Z.o.o.	Poland
KK HarperCollins Japan (aka Kabushiki Kaisha HarperCollins Japan)	Japan
HARPERCOLLINS (UK)	United Kingdom
Authonomy Ltd	United Kingdom

News America Marketing In-Store Services L.L.C.	United States of America
News America Marketing Interactive L.L.C.	United States of America
News America Marketing Properties L.L.C.	United States of America
News Australia Holdings LLC	United States of America
News Australia Holdings Partnership	Australia
News Australia Investments Pty Ltd	Australia
News Collins Holdings Partnership	Australia
News Corp Australia Partnership	Australia
News FHC Holdings, LLC	United States of America
News Finance Inc.	United States of America
News Group/Times Newspapers U.K., Inc.	United States of America
News Interactive Media Australia Pty Limited	Australia
News Limited of Australia, Inc.	United States of America
News Marketing Canada Corp.	Canada
News UK Finance Holdings I LLC	United States of America
News UK Finance Holdings II LLC	United States of America
NNC Insurance Services, Inc.	United States of America
NWS Digital Asia Pte. Limited	Singapore
NWS Digital India Private Limited	India
NYP Holdings, Inc.	United States of America
NYP Realty Corp.	United States of America
Ruby Newco LLC	United States of America
Smart Source Direct L.L.C.	United States of America
Storyful Limited	Ireland
Storyful Limited	Hong Kong
The Daily Holdings, Inc.	United States of America
Unruly Media Inc.	United States of America
MOVE, INC.	United States of America
Homebuilder.com (Delaware), Inc.	United States of America
Homestore, Inc.	United States of America
Move Sales, Inc.	United States of America
Moving.com, Inc.	United States of America
National New Homes Co., Inc.	United States of America
RealSelect, Inc.	United States of America
The Enterprise of America, Ltd	United States of America
Top Producer Systems Company	Canada
Welcome Wagon International Inc.	United States of America
DOW JONES & COMPANY, INC.	United States of America
Betten Financial News BV	Netherlands
DJBI, LLC	United States of America
Dow Jones & Company (Australia) PTY Limited	Australia
Dow Jones & Company (Malaysia) Sdn. Bhd.	Malaysia
Dow Jones & Company (Schweiz) GMBH	Switzerland
Dow Jones & Company (Singapore) PTE Limited	Singapore
Dow Jones (Japan) K.K.	Japan
Dow Jones Advertising (Shanghai) Co. Limited	China
Dow Jones AER Company, Inc.	United States of America
Dow Jones Business Interactive (U.K.) Limited	United Kingdom
Dow Jones Canada, Inc.	Canada
Dow Jones ChiT3A(AAt53(ChiT3A)-251(0504iT3A(AAT*[(Dow)-246(Jones)-253(ChiTolomb-255(InSdn..A.S192787Corp.lomb-2	

Dow Jones Do Brasil Serviços Econômicos Ltda.	Brazil
Dow Jones Haber Ajansi Anonim Sirketi	Turkey
Dow Jones Information Services International (HK) Ltd.	Hong Kong
Dow Jones International GMBH	Germany
Dow Jones International Ltd.	United Kingdom
Dow Jones Italia SRL	Italy
Dow Jones NBV Bulgaria EOOD	Bulgaria
Dow Jones Nederland BV	Netherlands
Dow Jones News GmbH	Germany
Dow Jones News Services (Proprietary) Limited	South Africa
Dow Jones Newswires Holdings, Inc.	United States of America
Dow Jones Publishing Company (Asia), Inc.	United States of America
Dow Jones Publishing Company (Europe), Inc.	United States of America
Dow Jones Services Limited	United Kingdom
Dow Jones Southern Holding Company, Inc.	United States of America
Dow Jones Trademark Holdings LLC	United States of America
Dow Jones Ventures V, Inc.	United States of America
Dow Jones WSJA Philippines, Inc.	Philippines
Dow Jones, L.P.	United States of America
eFinancialNews Holdings Limited	United Kingdom
eFinancialNews Inc.	United States of America
eFinancialNews Limited	United Kingdom
Factiva (Australia) Pty Limited	Australia
Factiva (France) S.A.R.L.	France
Factiva Business Information (Spain), S.L.	Spain
Factiva Finance LLC	United States of America
Factiva Finance Ltd.	Cayman Islands
Factiva Limited	United Kingdom
Factiva LLC	United States of America
Factiva, Inc.	United States of America
Generate Canada ULC	Canada
Generate, Inc.	United States of America
Hulbert Financial Digest, Inc.	United States of America
Kronberger Verlagsgesellschaft GmbH	Germany
MarketWatch, Inc.	United States of America
MF—Dow Jones News S.r.l.	Italy
Review Publishing Company Limited	Hong Kong
The Wall Street Journal Europe Holding, Inc.	United States of America
The Wall Street Journal Europe, SPRL	Belgium
VentureOne Corporation	United States of America
Wall Street Journal India Publishing Private Limited	India
WSJ Commerce Solutions, Inc.	United States of America

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-189932) pertaining to the News Corporation 2013 Long-Term Incentive Plan, and

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-189932) pertaining to the News Corporation 2013 Long-Term Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-200315) pertaining to the registration of common stock of News Corporation in connection with The Move, Inc. 2011 Incentive Plan, as amended; The Move, Inc. 2002 Stock Incentive Plan, as amended; The Move.Com, Inc. 2000 Stock Incentive Plan; The Move, Inc. 1999 Stock Incentive Plan, as amended; The iPlace, Inc. 2001 Equity Incentive Plan; and The Hessel 2000 Stock Option Plan;

of our report dated August 8, 2016, with respect to the combined financial statements of the Foxtel Group, which is comprised of Foxtel Partnership, Foxtel Management Pty Ltd, Customer Services Pty Ltd, Foxtel Cable Television Pty Ltd, Foxtel Television Partnership37414jCab inAn[r0016 Tcwprnies,.2(ion)5.6(m nAn[clu)-4.7(wpr(e)-1.4()6(s An18 TD[u].9(o)l-4.pbPu2-5.1.2nt)-6.2()d; TbPu2-5.1

Chief Executive Officer Certification

Required by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended

I, Robert J. Thomson, certify that:

1. I have reviewed this annual report on Form 10-K of News Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 12, 2016

By: /s/ Robert J. Thomson

Robert J. Thomson
Chief Executive Officer and Director

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of News Corporation on Form 10-K for the fiscal year ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned officers of News Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of News Corporation.

August 12, 2016

By: /s/ Robert J. Thomson

Robert J. Thomson
Chief Executive Officer and Director

By: /s/ Bedi Ajay Singh

Bedi Ajay Singh
Chief Financial Officer

**FOXTEL GROUP
INDEX TO COMBINED FINANCIAL STATEMENTS**

Report of Independent Auditors

To the Members of Sky Cable Pty Limited

We have audited the accompanying combined financial statements of the Foxtel Group, which is comprised of Foxtel Partnership, Foxtel Management Pty Ltd, Customer Services Pty Ltd, Foxtel Cable Television Pty Ltd, Foxtel Television Partnership and their controlled entities. The combined financial statements comprise the combined balance sheets as of June 30, 2016 and 2015, and the related combined statements of operations, comprehensive income, cash flows and partners' deficit for each of the three years in the period ended June 30, 2016, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Foxtel Group at June 30, 2016 and 2015, and the combined results of its operations and its cash flows for each of the three years in the period ended June 30, 2016 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young

Sydney, Australia
August 8, 2016

FOXTEL GROUP

FOXTEL GROUP
COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS OF AUSTRALIAN DOLLARS)

	<u>For the years ended June 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net income	\$244,655	\$271,052	\$337,091
Other comprehensive (loss) / income:			
Net change in the fair value of cash flow hedges taken to equity (\$nil tax impact)	(32,182)	4,494	(34,653)
Unrealized holding losses on securities (\$nil tax impact)	(30,800)	—	—
Other comprehensive (loss) / income			

FOXTEL GROUP
COMBINED BALANCE SHEETS
(IN THOUSANDS OF AUSTRALIAN DOLLARS)

	As of June 30,	
	2016	2015
Assets:		
Current assets:		
Cash and cash equivalents	\$ 40,418	\$ 40,688
Receivables, net (including \$27,134 and \$26,347 due from related parties) (Note 2 and 11)	363,092	237,093
Inventories, net (Note 4)	263,197	228,201
Derivative financial instruments (Note 9)	23,941	17,649
Prepayments	101,788	36,083
Other current assets	14,659	39,097
Total current assets	807,095	598,811
Non-current assets:		
Inventories, net (Note 4)	153,854	239,218
Investments (Note 5)	50,841	5,278
Derivative financial instruments (Note 9)	177,936	153,699
Property and equipment, net (Note 6)	918,614	827,827
Intangible assets, net (Note 7)	8,329	64,062
Goodwill (Note 7)	1,933,197	1,933,197
Deferred income taxes (Note 10)	53,617	49,994
Other non-current assets	291	249
Total assets	\$ 4,103,774	\$ 3,872,335
Liabilities and Equity:		
Current liabilities:		
Borrowings (Note 8)	\$ 97,003	\$ 305
Trade payables (third parties)	360,153	336,870
Trade payables (related parties) (Note 11)	156,220	137,723
Accrued expenses and other payables	211,832	190,570
Income tax payable	2,357	9,788
Deferred revenue	135,705	211,351
Derivative financial instruments (Note 9)	1,593	10,675
Other current liabilities	55,119	59,118
Total current liabilities	1,019,982	956,400
Non-current liabilities:		
Borrowings (third parties) (Note 8)	2,271,196	2,316,655
Borrowings (related parties) (Note 8 and 11)	902,580	902,580
Derivative financial instruments (Note 9)	71,545	44,536
Deferred revenue	70,406	—
Deferred income taxes (Note 10)	12	495
Other non-current liabilities	66,584	58,634
Commitments and contingencies (Note 12)	—	—
Deficit: (Note 2)		
Partners' capital	1,057,650	1,057,650
Accumulated deficit	(1,293,803)	(1,465,446)
Accumulated other comprehensive (loss) / income	(62,475)	507
Total Foxtel Group's deficit	(298,628)	(407,289)
Noncontrolling interest	—	—

Noncontrolling interest (Note 12)

FOXTEL GROUP
COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS OF AUSTRALIAN DOLLARS)

	<u>For the years ended June 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:			
Net income	\$ 244,655	\$ 271,052	\$ 337,091
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization			

FOXTEL GROUP

FOXTEL GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS (ALL AMOUNTS ARE IN AUSTRALIAN DOLLARS UNLESS OTHERWISE STATED)

NOTE 1. DESCRIPTION OF BUSINESS

The Foxtel Group (see definition in Note 2, Basis of presentation and principles of combination) is the largest pay-TV provider in Australia. It is owned equally by Sky Cable Pty Limited, a subsidiary of News Corporation (hereafter both entities will be referred to as “News Corp”) and Telstra Media Pty Limited, a subsidiary of Telstra Corporation Limited (hereafter both entities will be referred to as “Telstra”), an Australian ASX-listed Telecommunications company (collectively referred to as “Partners”). The Foxtel Group had more than 2.9 million subscribing households throughout Australia as of June 30, 2016 through cable, satellite and IP distribution.

The Foxtel Group delivers 200 channels (including standard definition channels, high definition versions of some of those channels, and audio and interactive channels) covering news, sports, general entertainment, movies, documentaries, music and children’s programming. Foxtel’s premium content includes FOX SPORTS Australia’s suite of sports channels such as FOX SPORTS 1, FOX SPORTS 2, FOX SPORTS 3, FOX SPORTS 4, FOX SPORTS 5, FOX FOOTY and FOX SPORTS NEWS, and TV content from HBO, FOX and Universal, among others. Foxtel also owns and operates 30 channels, including general entertainment and movie channels, and sources an extensive range of movie programming through arrangements with major U.S. studios. Foxtel’s channels are distributed to subscribers via both Telstra’s hybrid fibre coaxial cable network and a long-term contracted satellite platform provided by Optus. Cable and satellite distribution is enabled by Foxtel’s set-top-boxes, including the iQ3, Foxtel’s newest box. Foxtel also offers versions of its services via the Internet through Telstra’s T-Box platform, Foxtel Play, an Internet television service available on a number of compatible devices (including the Sony PlayStation platform, select Samsung, LG and Sony televisions, select Samsung Blu-ray players and personal computers), and Foxtel Go, an Internet television service that allows subscribers to watch Foxtel channels via mobile devices and tablets. In addition, Foxtel has a subscription video-on-demand service called Presto that distributes movies and television programming to subscribers. Foxtel owns Presto Movies, while Presto TV is operated under a joint venture with a subsidiary of Seven West Media Limited, an ASX-listed Media company. Foxtel also offers a triple play bundle product, which consists of Foxtel’s existing pay-TV services, sold together with broadband and/or home phone services.

The Foxtel Group generates revenue primarily through subscription revenue as well as advertising revenue. For the fiscal year ended June 30, 2016 the Foxtel Group recorded revenues of \$3.3 billion, net income before income taxes of \$267.4 million, net interest expense of \$223.5 million, depreciation and amortization of \$318.4 million, foreign exchange and other gains on hedges, net of \$0.5 million, restructuring of \$9.9 million and equity losses of affiliates, of \$8.0 million. Net cash provided by operating activities for the fiscal year ended June 30, 2016 was \$521.7 million. The Foxtel Group made cash distributions to partners of \$73.0 million in aggregate and paid interest of \$94.8 million in aggregate on shareholder loans.

The Foxtel Group is a combination of corporate and partnership entities. At June 30, 2016, News Corp and Telstra equally own the Foxtel Group. Since inception, the partners’ have contributed \$1.1 billion in capital to the Foxtel Group through one of the partnership structures, the Foxtel Partnership (a general partnership) which was used to fund the initial startup losses and required investments of the Foxtel Group. The Foxtel Group has assessed the ability to make distributions based on financial performance, available cash and undrawn debt facilities. Net cash provided by operating activities has been \$1.8 billion over the three year period ending June 30, 2016. Approved distributions to partners over the same three year period have totaled \$653 million and are made from the accumulated profit account of the Foxtel Partnership. The combined financial statements of the Foxtel Group report an accumulated deficit at June 30, 2016 of \$1.3 billion as the total returns to partners since inception are in excess of the aggregated earnings of the combined group in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

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In May 2012, the Foxtel Group purchased Austar United Communications Pty Limited (“AUSTAR”) a subscription television business providing satellite and digital television services in regional and rural Australia. This combination created a national subscription television service in Australia. The AUSTAR transaction was funded by the Foxtel Group bank debt (“term debt”) and the partners made pro-rata capital contributions in the form of subordinated shareholder notes (“loan”) based on their respective ownership interest. These loans amounted to \$902.6 million as at June 30, 2016 and June 30, 2015. This term debt is in the form of Australian dollar fixed interest term debt and US private placement debt, predominantly denominated in US\$ with floating interest rate. This debt exposes the Foxtel Group to foreign exchange currency rate risk and interest rate risk. The Foxtel Group uses a portfolio of interest rate swaps and cross currency interest rate swaps to mitigate exposure to these risks. The Foxtel Group also enter into foreign exchange contracts to convert US\$ cost exposures to the Australian dollar. Where possible, the Foxtel Group designates all hedges to qualify for hedge accounting in U.S. GAAP.

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has assessed the ability to make distributions based on financial performance, available cash and undrawn debt facilities. This method of providing returns has resulted in negative aggregate net current assets of \$212.9 million. The partners are obliged, under the terms of the partnership agreements, to contribute capital to the partnerships in order to achieve the business plan approved by the Partners and as such this contribution would fund any liability that the group does not meet from cash from operations through at least the next twelve months in the absence of any alternative funding options. In addition, aggregate net assets (excluding Borrowings from related parties) are \$604.0 million and the Foxtel Group has available undrawn debt facilities of \$192.8 million at June 30, 2016. Based on these factors, the Foxtel Group believes that the going concern basis is supported. The combined financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Foxtel Group be unable to continue as a going concern. Such adjustments could be material.

Business combinations

Business combinations are accounted for utilizing the guidance of Accounting Standards Codification (“ASC”) 805, “Business Combinations”. The purchase price of an acquisition is allocated to the assets acquired, including intangible assets and liabilities assumed, based on their respective fair values at the acquisition date. Any pre-acquisition contingencies, including contingent consideration, are recognized and measured at fair value (if possible) and liabilities related to contingent consideration are remeasured at fair value in each subsequent reporting period. The excess of the cost of an acquired entity over the net of the amounts assigned to the assets acquired and liabilities assumed is recognized as goodwill. The net assets and results of operations of an acquired entity are included in the Foxtel Group’s combined financial statements from the acquisition date.

The Foxtel Group has not incurred any business combinations and integration related costs during fiscal 2016, 2015 and 2014.

Variable Interest Entities

An entity is considered a variable interest entity (“VIE”) if it meets the criteria outlined in ASC 810, “Consolidation”, which are: (i) the entity has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support; (ii) the entity has equity investors that, as a group, lack the characteristics of a controlling financial interest; or (iii) the legal entity is structured with non-substantive voting rights.

The Foxtel Group consolidates a VIE when it is considered the primary beneficiary and has both the power to direct the activities that most significantly impact the VIE’s economic performance and a right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE.

Use of estimates

The preparation of the Foxtel Group’s combined financial statements is in conformity with U.S. GAAP and requires management to make estimates and assumptions that affect the amounts that are reported in the combined financial statements and accompanying disclosures. Areas where management uses subjective judgment include, but are not limited to, determining the provision for accounts receivable, fair value hierarchy of financial instruments, fair value of financial instruments, estimation of useful lives of long-lived and intangible assets, impairment of goodwill and estimation of useful lives of other indefinite-lived intangible

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programming rights, accounting for deferred income taxes, other than temporary assessment for unrealized losses on available-for-sale securities and assessing the valuation of the assets and liabilities assumed in a business combination. Actual results could differ from those estimates.

For the fiscal year ended June 30, 2016, the Foxtel Group reassessed the useful lives of its cable and satellite installation and upgrade assets from four to six years. The useful lives of such assets are based on the average customer life and useful life of cable and satellite equipment. The impact on the change in useful life of the installation and upgrade assets to the combined statements of operations is a \$81.7 million reduction in the depreciation and amortisation expense and an increase in net income for the fiscal year ended June 30, 2016. The impact of this change also resulted in a higher 'property and equipment, net' line item and a lower 'accumulated deficit' line item on the combined balance sheets. Costs related to service of subscriber connectivity and disconnections are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Concentrations of Credit Risk

Cash and cash equivalents are maintained with several financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and, therefore, bear minimal credit risk.

The Foxtel Group has no significant concentrations of credit risk in trade receivables, as trade receivable balances are made up of a large number of individually immaterial balances. The risk is mitigated by the Foxtel Group's assessment of its customers' creditworthiness and its ongoing monitoring process of outstanding balances. The Foxtel Group maintains reserves for estimated credit losses and these losses have generally been within expectations. Trade receivables (related parties) include amounts owing from Telstra as of June 30, 2016 and June 30, 2015 of \$13.2 million and \$15.5 million, respectively. This balance was within its terms of trade and no impairment was made as of June 30, 2016 or June 30, 2015, respectively. There are no guarantees against this receivable however management closely monitors the receivable balance on a monthly basis and is in regular contact with Telstra to mitigate risk. Beginning in the 2013 financial year, the Foxtel Group initiated a program whereby a portion of the monthly Telstra receivable is factored to a financial institution with no recourse. The receivables factored under this program are derecognized from the Foxtel Group's combined balance sheet and the Foxtel Group has no continuing involvement. The costs of factoring of \$3.9 million and \$4.1 million were recorded in the combined statements of operations during the fiscal year ended June 30, 2016 and 2015, respectively.

The Foxtel Group monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments. The Foxtel Group would be exposed to the risk of credit loss in the event of nonperformance by the counterparties to the agreements. At June 30, 2016, the Foxtel Group did not anticipate nonperformance by any of the counterparties.

Receivables

Trade and other receivables are carried at net realizable value and are presented net of an allowance for doubtful accounts, which is an estimate of amounts that may not be collectible. The Foxtel Group's receivables

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Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the life of the lease. Costs associated with the repair and maintenance of property are expensed as incurred and betterment that extends the useful life of property and equipment are capitalized as additions to the related assets. Retirement, sale and disposals of assets are recorded by removing the cost and related accumulated depreciation

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ownership of the equipment is retained, the cost of the equipment and direct and indirect installation costs are capitalized and depreciated over the useful life. Additional components of subscriber acquisition costs include the cost of print, radio and television advertising, which are expensed as incurred.

Operating expenses

Operating expenses on the combined statements of operations include costs related to satellite and broadband transmission costs, license and production costs, studio and engineering expense, and installation costs. Costs incurred for shipping and handling are reflected in 'Operating expenses' in the combined statements of operations.

Advertising expenses

The Foxtel Group expenses advertising costs as incurred in accordance with ASC 720-35, "Other Expenses—Advertising Cost." Advertising and promotional expenses recognized totaled \$110.0 million, \$120.5 million and \$158.7 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. Advertising expenses are recognized in 'Selling, general and administrative' in the combined statements of operations.

Restructuring charges

The Foxtel Group recognized restructuring charges totaling \$9.9 million, \$nil and \$nil for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. These charges were related to employee termination benefits.

Translation of foreign currencies

The combined financial statements are presented in Australian dollars which is the Foxtel Group's functional and reporting currency. Foreign transactions are translated into Australian dollars using the current rate method. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing rates on the period end date are recognized in the combined statements of operations within 'Foreign exchange and other gains / (losses) on hedges, net'.

Income tax

Foxtel Partnership and Foxtel Television Partnership are taxed as a pass-through for Australian income tax purposes. The results of operations are included in the tax returns of the respective partners and not taxed at the Foxtel Group level.

The Foxtel Group includes a number of stand-alone taxpayers (Customer Services Pty Limited, Foxtel Cable Television Pty Limited, Foxtel Management Pty Limited, Multi Channel Network Pty Limited and Main Event Pty Limited) and two separate Australian tax consolidated groups, the Foxtel Holdings Pty Limited tax consolidated group and the XYZnetworks Pty Limited tax consolidated group (all collectively referred to as the "Foxtel taxpayers"). XYZnetworks is equally owned by Foxtel Partnership and Foxtel Holdings Pty Limited. The provision of income taxes for these entities is computed using the asset and liability method, pursuant to ASC 740, "Accounting for Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credits carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in

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which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the combined statements of operations in the period that includes the enactment date. ASC 740 requires an assessment of whether valuation allowances are needed against

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Recently issued accounting pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update

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In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which requires debt issuance costs relating to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new guidance is effective for the Foxtel Group for the annual period beginning 1 July 2016, and should be applied retrospectively for all prior periods presented. As permitted by ASU 2015-03, the Foxtel Group early-adopted this standard and applied it retrospectively.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”). ASU 2015-17 amends existing guidance to require that deferred income tax liabilities and assets be classified as non-current in the Consolidated Balance Sheet, and eliminates the prior guidance which required an entity to separate deferred tax liabilities and assets into a current and non-current amount in the Consolidated Balance Sheet. As permitted by ASU 2015-17, the Foxtel Group early-adopted this standard and applied it retrospectively.

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial

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NOTE 4. INVENTORIES

The Foxtel Group's inventories were comprised of the following:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
	(in thousands)	
Programming rights	\$ 850,909	\$ 812,281
Accumulated amortization	(433,858)	(344,862)
Total inventories, net	417,051	467,419
Less: non-current portion	(153,854)	(239,218)
Current inventories, net	<u>\$ 263,197</u>	<u>\$ 228,201</u>

NOTE 5. INVESTMENTS

The Foxtel Group's investments were comprised of the following:

	<u>Ownership percentage as of 30 June 2016</u>	<u>As of June 30,</u>	
		<u>2016</u>	<u>2015</u>
		(in thousands)	
Equity method investments	various	\$ 4,641	\$5,278
Investment in listed securities	13.84%	46,200	—
		<u>\$50,841</u>	<u>\$5,278</u>

During fiscal 2016, the Foxtel Group purchased an approximate 13.84% interest in Ten Network Holdings Limited for approximately \$77.0 million and recorded an unrealized loss of approximately \$30.8 million in 'Other comprehensive income, net' for the fiscal year ended June 30, 2016 for subsequent changes in fair value. The Foxtel Group evaluated the near-term prospects of Ten Network Holdings Limited in relation to the severity and the duration of the decline in market value. Based on that evaluation and the Foxtel Group's ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value, the Foxtel Group does not consider the investment to be other-than-temporarily impaired at June 30, 2016.

NOTE 6. PROPERTY AND EQUIPMENT

The Foxtel Group's property and equipment were comprised of the following:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
	(in thousands)	
Leasehold improvements	\$ 88,502	\$ 87,863
Technical equipment	428,881	414,011
Digital set top units and installations	2,042,000	2,011,062
Other property and equipment	79,876	67,772
	<u>\$ 2,639,259</u>	<u>\$ 2,580,708</u>
Less: accumulated depreciation and amortization	(1,720,645)	(1,752,881)
Total property and equipment, net	<u>\$ 918,614</u>	<u>\$ 827,827</u>

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Depreciation and amortization related to property and equipment was \$262.7 million, \$320.6 million and \$313.5 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

There were no changes in the carrying value of goodwill of \$1,933.2 million for the fiscal years ended June 30, 2016, 2015 and 2014.

There were no impairments of goodwill for the fiscal years ended June 30, 2016, 2015 and 2014.

The carrying values of the Foxtel Group's intangible assets and related accumulated amortization were as follows:

	As of June 30,	
	2016	2015
	(in thousands)	
Intangible Assets Not Subject to Amortization		
Brand and tradenames	\$8,329	\$ 8,329
Total Intangible Assets Not Subject to Amortization	8,329	8,329
Intangible Assets Subject to Amortization		
Customer contracts ^(a)	—	55,733
Total Intangible Assets Subject to Amortization	—	55,733
Total Intangible Assets, Net	\$8,329	\$64,062

^(a) The customer contracts were acquired as part of the Austar acquisition. As at 30 June 2016 customer contracts had been fully amortized with accumulated amortization of \$259.4 million. As at 30 June 2015 customer contracts are presented net of accumulated amortization of \$203.7 million.

Amortization expenses related to amortizable intangible assets, net was \$55.7 million, \$60.8 million and \$67.0 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

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NOTE 8. BORROWINGS

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Working capital and term debt facilities

Unrestricted access was provided to the following lines of credit:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
	<u>(in thousands)</u>	
Total facilities:		
Term debt facility	\$400,000	\$400,000
Working capital facility	100,000	100,000
Term debt facility 2013	300,000	300,000
Term debt facility 2014—tranche 1		

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U.S. private placement (Senior unsecured notes)

On September 24, 2009, the Foxtel Group entered into a U.S. dollar private placement fixed interest loan for US\$180.0 million. The entire loan and interest are economically hedged by a series of cross currency interest rate swaps held by the combined Foxtel Group. On September 24, 2014, the Foxtel Group made a repayment of US\$31.0 million.

On May 23, 2012, the Foxtel Group entered into a firm commitment for funding by way of a private placement in the amount of US\$500.0 million and A\$100.0 million. The funds were drawn down on July 25, 2012. In relation to the US\$ component, the foreign currency fixed interest loan and interest payments are hedged by a series of cross currency interest rate swaps designated as fair value hedges. On October 17, 2014, a portion of the US\$ component was de-designated from its fair value hedge relationship and re-designated into a cash flow hedge relationship using a combination of cross currency interest rate swaps and newly entered interest rate swaps (refer to as "Combined swaps"). The remaining portion of the US\$ component which was not de-designated remains in a fair value hedge relationship. At June 30, 2016, of the US\$500.0 million debt, US\$138.6 million is in a fair value hedge relationship, US\$357.2 million is in a cash flow hedge relationship and US\$4.2 million is the fair value adjustment required to accrete the loan back to its par value at maturity date.

Covenants, Collateral and Unamortized borrowing costs

The Foxtel Group's external borrowings (term debt, facilities and U.S. private placement) require the Foxtel Group to comply with specified financial and non-financial covenants calculated in accordance with Australian International Financial Reporting Standards. These covenants include restrictions on undertaking future transactions, incurring liens, undertaking transactions with related parties, making repayments of other loans, having fundamental business changes and entering into certain other financing arrangements. The financial debt covenants include maximum levels of total debt to Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") and minimum levels of interest cover (EBITDA to total interest expense) ratios. In the event of default, the liability of the partners is limited to the assets of the Foxtel Partnership and Foxtel Television Partnership. The Foxtel Group is in compliance with these covenants as of June 30, 2016. There were no assets pledged as collateral for any of the borrowings.

Unamortized borrowing costs (representing the costs of acquiring external loan facilities) of \$4.9 million and \$7.8 million are capitalized against borrowings as of June 30, 2016 and 2015, respectively. Of this amount, \$2.5 million and \$2.9 million have been netted against current borrowings and \$2.4 million and \$4.9 million has been netted against non-current borrowings as of June 30, 2016 and 2015, respectively. The amortized Ear.9 milli3x.pectiveIO(De(ac

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Original currencies of borrowings

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NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE

The Foxtel Group is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the Foxtel Group's financial performance and are referred to as

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The fair values of the Foxtel Group's derivative instruments which were valued using level 2 measurements and the line items on the combined balance sheets to which they were recorded are summarized as follows:

	<u>Derivative Assets</u>		<u>Derivative Liabilities</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	(in thousands)		(in thousands)	
Derivatives designated as hedging instruments:				
Foreign currency derivatives	\$ 13,319	\$ 27,432	\$ (5,552)	\$ (90)
Interest rate derivatives	—	—	(55,941)	(29,164)
Cross currency interest rate derivatives	52,786	35,741	—	—
Combined swaps	<u>104,534</u>	<u>81,686</u>	<u>—</u>	<u>—</u>
Total derivatives designated as hedging instruments	\$170,639	\$144,859	\$(61,493)	\$(29,254)
Derivatives not designated as hedging instruments:				
Interest rate derivatives	\$ —	\$ —	\$(11,645)	\$(25,957)
Cross currency interest rate derivatives	<u>31,238</u>	<u>26,489</u>	<u>—</u>	<u>—</u>
Total derivatives not designated as hedging instruments	\$ 31,238	\$ 26,489	\$(11,645)	\$(25,957)
Total derivatives	<u>\$201,877</u>	<u>\$171,348</u>	<u>\$(73,138)</u>	<u>\$(55,211)</u>
Represented in the combined balance sheets as follows:				
Current	\$ 23,941	\$ 17,649	(1,593)	\$(10,675)
Non-current	177,936	153,699	(71,545)	(44,536)

Cash flow hedging strategy

Management has a risk management policy to hedge at least 50% of expected operating foreign currency transactions for the subsequent 24 months, subject to approval by the chief financial officer ("CFO") and to hedge 100% of the foreign exchange risk on foreign currency borrowings. Adjustments to the level of hedged exposure can be approved by the CFO upon recommendation by the Treasury Manager. The maximum hedged term of a forecasted foreign currency transaction is in respect of foreign currency borrowings which are hedged to July 2024.

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agreements that were designated and qualified for the Foxtel Group's interest rate cash flow hedging program was \$700.0 million as of June 30, 2016 and 2015, respectively. The maximum hedged term over which the Foxtel Group is hedging exposure to variability in interest payments is to September 2022.

On October 17, 2014, the Foxtel Group entered into interest rate swap agreements to mitigate the risk of interest rate fluctuations on the Foxtel Group's U.S. dollar private placement 2012 borrowings, which up to this date were hedged under designated cross-currency interest rate swap agreements. The Foxtel Group, de-designated a portion of the cross-currency interest rate swaps, and formally re-designated them in a qualifying combined notional swap together with the new interest rate swap agreements. The total notional value of the Combined swaps that were designated and qualified for the Foxtel Group's hedging program was US\$357.2 million as of June 30, 2016. The maximum hedged term over which the Foxtel Group is hedging exposure to variability in interest payments is to July 2024.

Total notional value of foreign exchange contract derivatives where the cash flow hedging relationships have been discontinued was \$nil million during the fiscal year ended June 30, 2016. There were no interest rate swaps or Combined swaps where the cash flow hedging relationship was discontinued during the fiscal years ended June 30, 2016 and June 30, 2015.

The following table presents the pre-tax impact (\$nil tax impact) that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the fiscal years ended June 30, 2016, 2015 and 2014:

	Gains / (losses) recognized in OCI on derivatives for the years ended (effective portion)			Gains / (losses) reclassified from AOCI into income for the years ended		
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2016	June 30, 2015	June 30, 2014
	(in thousands)			(in thousands)		
Derivatives designated as cash flow hedging instruments:						
Foreign currency	\$ 8,794	\$ 49,662	\$(18,086)	(20,616)	\$(14,163)	\$3,108
Interest rate	(32,076)	(24,902)	(19,946)	5,302	1,216	271
Combined swaps	22,849	47,725	—	(16,435)	(55,044)	—
Total	<u>\$ (433)</u>	<u>\$ 72,485</u>	<u>\$(38,032)</u>	<u>\$(31,749)</u>	<u>\$(67,991)</u>	<u>\$3,379</u>

During each of the fiscal years presented, the amounts recognized in earnings on derivative instruments designated as cash flow hedges related to the ineffective portion were not material, and the Foxtel Group did not exclude any component of the changes in fair value of the derivative instruments from the assessment of hedge effectiveness.

As of June 30, 2016, the Foxtel Group estimates that approximately \$10.0 million of net derivative gains related to its cash flow hedges included in AOCI will be reclassified into earnings within the next 12 months on the assumption that the exchange rate and interest rates are identical to June 30, 2016.

Fair value hedging strategy

The Foxtel Group's primary interest rate risk arises from long-term debt. Borrowings issued at fixed rates and in US dollars expose the Foxtel Group to fair value interest rate risk and currency rate risk. The Foxtel Group

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The tables below present information about items on which fair value measurements have been made:

**Fair Value Measurements using
inputs considered as (Level 2)**

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The reconciliation of the effective income tax rate on continuing operations with the statutory income tax rate was:

	For the years ended June 30,		
	2016	2015	2014
Australian income tax	30%	30%	30%
Permanent differences and other	(1%)	1%	(2%)
Partnership income not subject to tax at Foxtel Group level	(20%)	(20%)	(21%)
Change in valuation allowance	(1%)	—	—
Effective income tax rate	8%	11%	7%

The following is a summary of the components of the deferred tax accounts:

	As at June 30,	
	2016	2015
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	\$ 62,429	\$ 77,839
Accrued liabilities and deferred revenue	34,187	31,463
Provision for doubtful debts	1,619	1,262
Other	2,652	1,204
Total deferred tax assets	\$100,887	\$111,768
Deferred tax liabilities		
Property and equipment	\$ (21,626)	\$ (20,186)
Intangible assets	(1,794)	(18,514)
Other	(3,684)	(3,368)
Total deferred tax liabilities	\$ (27,104)	\$ (42,068)
Net deferred tax asset before valuation allowance	\$ 73,783	\$ 69,700
Less: valuation allowance	(20,178)	(20,201)
Net deferred tax assets	\$ 53,605	\$ 49,499
Represented in the combined balance sheet as follows:		
Deferred income taxes—asset	53,617	49,994
Deferred income taxes—liability	(12)	(495)
Net deferred tax assets	\$ 53,605	\$ 49,499

The Foxtel Group includes a number of stand-alone taxpayers (Customer Services Pty Limited, Foxtel Cable Television Pty Limited, Foxtel Management Pty Limited, Multi-Channel Network Pty Limited and Main Event Pty Limited) and two separate Australian tax consolidated groups, the Foxtel Holdings Pty Limited tax consolidated group and the XYZnetworks Pty Limited tax consolidated group (all collectively referred to as the “Foxtel taxpayers”). The table above and disclosures below represent the deferred income taxes for the Foxtel taxpayers.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (ALL AMOUNTS ARE IN AUSTRALIAN DOLLARS UNLESS OTHERWISE STATED)

At June 30, 2016, the Foxtel taxpayers had approximately \$208.1 million of net operating loss carryforwards available to offset future taxable income. These net operating loss carryforwards have an unlimited carryforward period subject to the satisfaction of the loss testing rules (i.e. continuity of ownership test (“COT”) or failing COT, the same business test). The Foxtel Group utilized the benefits of prior year operating loss carryforwards in the amount of \$51.4 million and \$50.1 million for the fiscal years ended June 30, 2016 and 2015, respectively. The net operating losses have been carried forward by the Foxtel taxpayers since the AUSTAR acquisition on May 23, 2012.

Franking credits available for subsequent periods, based on a tax rate of 30%, amounted to \$34.5 million for the fiscal year ended June 30, 2016.

Realization of the net deferred tax assets of \$53.6 million is dependent upon the Foxtel taxpayers’ ability to generate future taxable income in the relevant tax jurisdiction to obtain benefit from the reversal of temporary differences and net operating loss carryforwards. The amount of deferred taxes considered realizable is subject to adjustment in future periods if estimates of future taxable income are reduced. As of June 30, 2016, deferred tax assets of two controlled entities were not considered to be realizable and therefore a full valuation allowance has been established.

Uncertain tax positions are accounted for in accordance with accounting standards that require management’s assessment of the expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. Until such positions are sustained by the taxing authorities, the Foxtel Group would not recognize the tax benefits resulting from such positions and would report the tax effect as a liability in the Foxtel Group’s combined balance sheets. The Foxtel Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense, in the combined statements of operations. As of June 30, 2016, the Foxtel Group had no unrecognized tax benefits or interest or penalties recorded for any of the periods presented. The tax years ended 2009 through 2016 for Foxtel Holdings and 2009 through 2016 for all other entities remain open to examination by the major taxing jurisdiction in which the entities are subject to tax.

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NOTE 12. COMMITMENTS AND CONTINGENCIES

The Foxtel Group has commitments under certain firm contractual arrangements (“firm commitments”) to

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- (g) The Foxtel Group has contractual commitments for marketing contributions to an equity investee of \$5 million per annum under a perpetual contract with no defined term of expiry. For the purposes of the “funding commitments to equity investee” in this note disclosure, 5 years of the perpetual contract have been included in the disclosure.
- (h) Broadcasting rights are primarily in respect of AFL sporting rights. A new 6 year AFL deal for \$1.2 billion commencing during the 2017 fiscal year was novated to the Foxtel Group from News Corp Australia in the current financial year.

The Foxtel Group also has certain contractual arrangements in relation to certain investees that would require the Foxtel Group to make payments or provide funding if certain circumstances occur (“contingent guarantees”). The Foxtel Group does not expect that these contingent guarantees will result in any material amounts being paid by the Foxtel Group in the foreseeable future. The timing of the amounts presented in the table below reflect when the maximum contingent guarantees will expire and does not indicate that the Foxtel Group expects to incur an obligation to make payments during that time frame.

As of June 30, 2016	
Guarantees expiration per year	
Total	1 year

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NOTE 13. SUBSEQUENT EVENTS

In accordance with ASC 855, “Subsequent Events”, the Foxtel Group evaluated subsequent events through August 8, 2016, which was also the date that these combined financial statements were issued.

No matters or circumstances have arisen since June 30, 2016 that have significantly affected, or may significantly affect the Foxtel Group’s operations, the results of those operations, or the Foxtel Group’s state of affairs.