

Registration number: 00081701

News Corp UK & Ireland Limited

Report and financial statements

for the year ended 2 July 2017



News Corp UK & Ireland Limited

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News Corp UK & Ireland Limited

Strategic Report for the year ended 2 July 2017

The directors present their strategic report and the financial statements of the company for the year ended 2 July 2017

Principal activities and business review

The principal activity of the company is that of an investment holding company within the News Corp Investments UK & Ireland group ("News UK" group). The company also holds the primary lease for the UK group headquarters, and holds fixed assets on behalf of the group.

During the year the company acquired 100% ownership of Wireless Group Limited for cash consideration of £221,367,000.

During the year the company entered into an arrangement with News Group Newspapers Limited, one of its subsidiaries, in order to secure sufficient future funding for said entity. See note 18.

The company's operating profit for the year was £1,216,000 (2016 - Loss of £13,844,000). The company's loss before tax for the year was £589,459,000 (2016 - Loss of £145,052,000). Operating profit was driven by lower administrative expenses in the year and other income from movements in the value of the financial asset with its subsidiary with is recognised in the profit and loss.

Post balance sheet events

On 12 July 2017 the company issued 58,082,730 ordinary shares to News Corp Holdings UK & Ireland for £5,808,273 at par consideration.

On 29 September 2017 the company issued 67,025,740 ordinary shares to News Corp Holdings UK & Ireland for £6,702,574 at par consideration.

Future developments

The directors expect the company to continue as an investment holding company, primary lease holder and holder of fixed assets on behalf of the group for the foreseeable future.

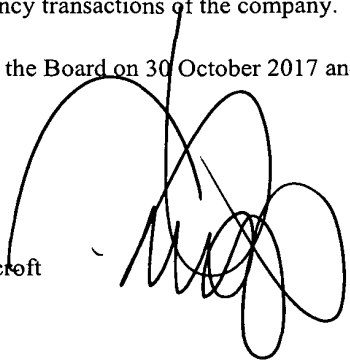
Principal risks and uncertainties

The principal risk to the business is the performance of the underlying investments of the company. Impairment reviews are carried out on an annual basis to identify any potential impairments.

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

Approved by the Board on 30 October 2017 and signed on its behalf by:

C.C.S. Longcroft
Director

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned over the printed name of the director.

News Corp UK & Ireland Limited

Directors' Report For the year ended 2 July 2017

The directors present their report and the financial statements of the company for the year ended 2 July 2017.

Going concern

News Corporation has committed to provide financial support until at least 31 December 2018 to News Corp Investments UK & Ireland which in turn supports News Corp UK & Ireland Limited and its subsidiary undertakings.

News Corp UK & Ireland Limited operates two collective facilities, in which News Corp UK & Ireland Limited has provided multilateral guarantees of up to £20 million in respect of each of these bank overdrafts of subsidiary undertakings. These facilities are ultimately guaranteed by News Corporation.

The News UK group has prepared a rolling three year forecast in which the cash flows of the group are assessed. These show the group to be cash generative and a letter of support has also been received from News Corp UK & Ireland Limited.

The above factors lead the directors to conclude that they have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future.

Results and dividends

The loss for the year, after taxation, amounted to £589,459,000 (2016 - £145,052,000).

The directors do not recommend a dividend (2016 - £Nil).

Directors of the company

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

R.M. Brooks

D.W. Dinsmore

C.C.S. Longcroft

All directors served throughout the year and are still directors at the date of this report.

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

News Corp UK & Ireland Limited

Directors' Report (continued) For the year ended 2 July 2017

Directors' indemnity provision

News Corporation has indemnified all directors of the company against liability in respect of proceedings brought by third parties, except that, in accordance with the Companies Act 2006, no indemnity is provided against: any liability incurred by the director in defending civil proceedings brought by the company, or an associated company, in which the final judgement is given against the director; and liability of the director to pay a fine imposed by criminal proceedings; any liability incurred by the director in defending criminal proceedings in which the director is convicted; any liability of the director to pay a penalty sum to a regulatory authority in respect of non compliance with any requirement of a regulatory nature, howsoever arising; or any liability of the director in connection with an application for relief in which the court refuses to grant him relief. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' report.

Directors' responsibilities statement

The directors acknowledge their responsibilities for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

News Corp UK & Ireland Limited

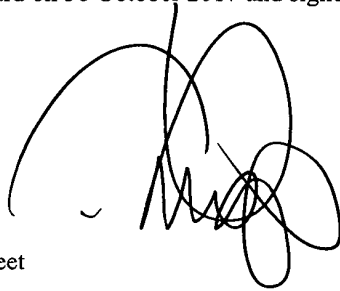
Directors' Report (continued)
For the year ended 2 July 2017

Auditor

The directors have passed a resolution to dispense with the requirement to reappoint auditors annually. Ernst & Young LLP are deemed to be reappointed as auditor in the absence of a notice that the appointment is to be terminated.

Approved by the Board on 30 October 2017 and signed on its behalf by:

C.C.S. Longcroft
Director
1 London Bridge Street
London
SE1 9GF

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned to the right of the printed name and address.

Independent auditor's report to the members of News Corp UK & Ireland Limited

Opinion

We have audited the financial statements of News Corp UK & Ireland Limited for the year ended 2 July 2017, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 2 July 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of News Corp UK & Ireland Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

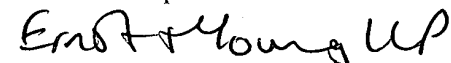
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Neil Cullum (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 2/4/2017

News Corp UK & Ireland Limited

Profit and Loss Account For the year ended 2 July 2017

	Note	2017 £ 000	2016 £ 000
Administrative expenses		(43,783)	(50,998)
Other operating income	3	36,963	37,335
Other income	18	7,693	-
Fair value movement on investments	16	343	(181)
Operating profit/(loss)	4	1,216	(13,844)
Income from other fixed asset investments	7	20	117
Amounts written off investments	8	(588,232)	(129,148)
Loss on disposal of fixed asset investments	16	-	(1,447)
Interest receivable and similar income	9	5,378	6,022
Interest payable and similar expenses	10	(6,070)	(5,889)
Other finance costs	11	(1,771)	(863)
		<u>(590,675)</u>	<u>(131,208)</u>
Loss before tax		(589,459)	(145,052)
Taxation	12	-	-
Loss for the financial year		<u>(589,459)</u>	<u>(145,052)</u>

The above results were derived from continuing operations.

Statement of Comprehensive Income For the year ended 2 July 2017

	Note	2017 £ 000	2016 £ 000
Loss for the financial year		<u>(589,459)</u>	<u>(145,052)</u>
Unrealised gain/(loss) on cash flow hedges		(157)	157
Actuarial loss on defined benefit pension schemes	25	<u>(5,916)</u>	<u>(44,042)</u>
		<u>(6,073)</u>	<u>(43,885)</u>
Total comprehensive income for the year		<u>(595,532)</u>	<u>(188,937)</u>

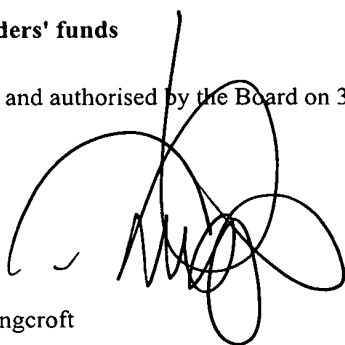
The notes on pages 10 to 35 form part of these financial statements.

News Corp UK & Ireland Limited
Registered number: 00081701

Balance Sheet
As at 2 July 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	13	23,564	28,312
Tangible assets	14	96,894	132,584
Heritage assets	15	64	64
Investments	16	395,703	623,158
		<u>516,225</u>	<u>784,118</u>
Current assets			
Debtors: amounts falling due within one year	17	1,305,707	584,655
Other financial assets	18	117,693	-
Cash at bank and in hand	19	115,698	214,092
		<u>1,539,098</u>	<u>798,747</u>
Creditors: amounts falling due within one year	20	<u>(1,256,471)</u>	<u>(366,918)</u>
Net current assets		<u>282,627</u>	<u>431,829</u>
Total assets less current liabilities		<u>798,852</u>	<u>1,215,947</u>
Creditors: amounts falling due after more than one year	20	<u>(33,952)</u>	<u>(37,529)</u>
Provisions for liabilities	25	<u>(65,610)</u>	<u>(65,117)</u>
Net assets		<u>699,290</u>	<u>1,113,301</u>
Capital and reserves			
Called up share capital	22	396,780	376,259
Share premium account		381,301	220,301
Other reserves		-	157
Profit and loss account		<u>(78,791)</u>	<u>516,584</u>
Shareholders' funds		<u>699,290</u>	<u>1,113,301</u>

Approved and authorised by the Board on 30 October 2017 and signed on its behalf by:



C.C.S. Longcroft
Director

The notes on pages 10 to 35 form part of these financial statements.

News Corp UK & Ireland Limited

Statement of Changes in Equity For the year ended 2 July 2017

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 4 July 2016	376,259	220,301	157	516,584	1,113,301
Loss for the financial year	-	-	-	(589,459)	(589,459)
Other comprehensive income	-	-	(157)	(5,916)	(6,073)
Total comprehensive income	-	-	(157)	(595,375)	(595,532)
New share capital issued	20,521	161,000	-	-	181,521
At 2 July 2017	396,780	381,301	-	(78,791)	699,290

Statement of Changes in Equity For the year ended 3 July 2016

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 4 July 2015	359,298	220,301	-	705,678	1,285,277
Loss for the financial year	-	-	-	(145,052)	(145,052)
Other comprehensive income	-	-	157	(44,042)	(43,885)
Total comprehensive income	-	-	157	(189,094)	(188,937)
New share capital issued	16,961	-	-	-	16,961
At 3 July 2016	376,259	220,301	157	516,584	1,113,301

The notes on pages 10 to 35 form part of these financial statements.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017

1 General information

The company is a private company limited by share capital incorporated in England and Wales under the Companies Act.

The address of its registered office is:

1 London Bridge Street

London

SE1 9GF

These financial statements were authorised for issue by the Board on 30 October 2017.

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

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

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

Basis of preparation

The financial statements of News Corp UK & Ireland Limited have been prepared on a going concern basis, under the historical cost convention, modified to include certain items at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The financial statements are made up to the Sunday closest to the 30 June each year. Consequently, the financial statements for the current period cover 52 weeks ended 2 July 2017 (53 weeks ended 3 July 2016). The financial statements are presented in pounds sterling which is the functional currency of the company, and rounded to the nearest £'000.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

FRS 102 paragraph 1.12 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to the use of exemptions by the company's shareholders. The equivalent disclosures are included in the consolidated financial statements of News Corporation, the ultimate parent undertaking.

The company has taken advantage of the following exemptions:

- (a) From preparing a statement of cash flows and related notes as required by Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- (b) From the financial instruments disclosures as required by FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, including:
 - Categories of financial instruments,
 - Items of income, expenses, gains or losses relating to financial instruments, and
 - Exposure to and management of financial risks.
- (c) From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Consolidated financial statements

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

Going concern

News Corporation has committed to provide financial support until 31 December 2018 to News Corp Investments UK & Ireland which in turn supports News Corp UK & Ireland Limited and its subsidiary undertakings.

News Corp UK & Ireland Limited operates two collective facilities, in which News Corp UK & Ireland Limited has provided multilateral guarantees of up to £20 million in respect of each of these bank overdrafts of subsidiary undertakings. These facilities are ultimately guaranteed by News Corporation.

The News UK group has prepared a rolling three year forecast in which the cash flows of the group are assessed. These show the group to be cash generative and a letter of support has also been received from News Corp Investments UK & Ireland.

The above factors lead the directors to conclude that they have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future.

Related party transactions

As a wholly owned subsidiary undertaking of News Corporation whose financial statements are publicly available, the company has taken advantage of the exemption in FRS 102 Section 33 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the group headed by News Corporation.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

Interest receivable and payable

Interest receivable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Operating leases

Rentals payable under operating leases are charged on a straight line basis to the profit and loss account over the lease term. Benefits received and receivable as an incentive to sign an operating lease are similarly recognised on a straight line basis over the lease term.

Pensions

The employees of the company participate in either a defined contribution or a defined benefit pension scheme, both of which require contributions to be made to separately administered funds. The main UK defined benefit scheme was closed to future accrual in 2011.

In addition, the company has agreed to provide additional post retirement healthcare benefits to certain current and former employees.

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

The cost of providing benefits under the defined benefit plans and the post retirement medical benefit plan is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement, comprising actuarial gains and losses, the effect of the asset ceiling and the return on scheme assets (excluding interest) are recognised immediately in other comprehensive income in the period in which they occur.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net defined benefit pension asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Current tax, including UK corporation tax and foreign tax, is the amount payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

Taxation

Taxation expense for the reporting period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are considered as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits or deferred tax liabilities in the foreseeable future against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Intangible assets

Intangible assets consist of internal use software, and are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Internal use software

3 years

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

Tangible assets

Tangible fixed assets are stated at cost or deemed cost at date of transition in accordance with FRS 102 paragraph 35.10(d) less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Freehold and leasehold land	No depreciation charged
Freehold buildings	20 years to 50 years
Short-term leasehold property	Shorter of the length of lease or 50 years
Equipment	5% to 100% per annum
Assets in the course of construction are not depreciated. When such assets come into use they are transferred to the appropriate fixed asset category and depreciated accordingly	

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. When an impairment review is undertaken, the recoverable amount is calculated as the higher of net present value of expected future cash flows of the relevant cash generating unit and fair value less cost to sell.

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Heritage assets

The company holds a collection of manuscripts, newspapers and other artefacts within its archives. The collection is one of the most significant within the British newspaper industry and is available for both internal and external research purposes. This collection had previously been reported on the balance sheet at valuation following an independent valuation of the collection by Sotheby's in November 2003. Subsequent acquisitions, which have been purchased after this valuation, have been recorded at cost. However, FRS 102 paragraph 34.51 requires entities to recognise and measure heritage assets using the cost model or revaluation model. The company has applied the cost model, and has taken the deemed cost exemption under FRS 102 paragraph 35.10(d). As a result all heritage assets are carried at cost, from the date of transition. No depreciation has been charged on these assets.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are recorded at cost and adjusted for any impairment provisions. When an impairment has been identified it is reflected in the profit and loss account.

Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. Where contingent consideration previously measured is adjusted, the amount is recognised as an adjustment to the cost of the investment.

Other investments

Other investments are measured at fair value with changes recognised in the profit and loss account if the shares are publicly traded or their fair value can otherwise be measured reliably; and at cost less impairment for all other investments.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at present value of future payments, discounted at a market rate of interest, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at the present value of future payments, discounted at a market rate of interest, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Hedge accounting

The company applies hedge accounting for certain transactions entered into to manage the cash flow exposures of forecast transactions denominated in foreign currencies. Forward foreign exchange contracts are held to manage foreign exchange rate exposures and are designated as cash flow hedges of inventory purchased in foreign currency by subsidiary group companies.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in other comprehensive income. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

2 Accounting policies (continued)

Financial Instruments

Fair value through profit or loss items are held at fair value. Changes in fair value are included in the income statement. Financial instruments are derecognised on expiry or when all contractual rights and obligations are transferred.

Critical judgements in applying the company's accounting policies

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

a. Classification of property leases

Determining whether the company's leases are operating leases or finance leases requires judgement in applying the accounting policies. One of the key criteria outlined in FRS 102 is whether the present value of the minimum lease payments is 'substantially all' of the fair value of the leased asset. This requires using assumptions in order to calculate the present value, and estimations to ascertain a fair value of the building. In addition, under old UK GAAP 'substantially all' was defined as 'normally 90% or more', whereas under FRS 102 there is no such distinction, and therefore a further element of judgement is required.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of the cash generating unit (CGU) to which the investment has been allocated versus an estimation of the fair value less cost to sell. The recoverable amount is the higher of the two calculations. Key areas of judgement in the value in use calculation include the estimation of future cash flows expected to arise from the CGU, the long term growth rate and a suitable discount rate to apply to cash flows in order to calculate present value. An impairment loss of £588,232,000 was recognised for the year ended 2 July 2017 (3 July 2016 - £129,148,000). Details of the impairment reviews that the company performs are provided in note 16.

b. Contingent consideration payable

Estimates are required in respect of the amount of contingent consideration payable on acquisitions, which is determined by applying a probability weighted income approach. The directors review the amount of contingent consideration likely to become payable at each period end date, the major assumption being the level of future profits of the acquired business. The company has made a provision for outstanding contingent consideration payable amounting to £17,341,000 (2016 - £28,174,000). Further details are given in note 16.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

c. Recoverability of deferred tax assets

The company makes estimates regarding the recoverability of deferred tax assets relating to losses based on forecasts of future taxable profits which are, by their nature, uncertain. The deferred tax asset recognised at 2 July 2017 was £Nil (3 July 2016 - £Nil). Further details are given in note 12.

d. Valuation of pension liabilities

The cost of defined benefit pensions plans is determined using actuarial valuations prepared by the company's actuaries. This involves making certain assumptions concerning discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions and the resulting estimates are reviewed annually and, when appropriate, changes are made which affect the actuarial valuations and, hence, the amount of retirement benefit expense recognised in the profit and loss account and the amounts of actuarial gains and losses recognised in the Statement of Changes in Equity. The net carrying amount of the retirement benefit obligation at 2 July 2017 was a deficit of £65,610,000 (3 July 2016 - £65,117,000). Further details are given in note 25.

3 Other operating income

The analysis of the company's other operating income for the period is as follows:

	2017 £ 000	2016 £ 000
Net rents receivable	36,935	37,260
Other operating income	28	75
	<u>36,963</u>	<u>37,335</u>

4 Operating loss

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation of tangible fixed assets	11,895	12,013
Amortisation of intangible assets	11,618	12,670
Exchange differences	205	32
Other operating lease rentals	27,346	31,864
Cost of defined benefit scheme (note 25)	1,099	1,261
Pension return on assets (note 25)	(13,152)	(14,942)
Pension interest income (note 25)	<u>11,381</u>	<u>14,079</u>

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

5 Auditor's remuneration

	2017 £ 000	2016 £ 000
Audit of financial statements	142	106

6 Directors' remuneration

The directors' remuneration for the period was as follows:

	2017 £ 000	2016 £ 000
Remuneration	4,966	8,488
Value of company pension contributions to money purchase schemes	5	33
	4,971	8,521

During the period the number of directors who were receiving benefits and share incentives was as follows:

	2017 No.	2016 No.
Received or were entitled to receive shares under long term incentive schemes	3	3

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Remuneration	2,669	3,581

The directors of the company are also directors of fellow UK subsidiaries. The directors received total remuneration for the year, as shown above, all of which was paid by a fellow News UK group company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding company or subsidiary company.

During the year no remuneration (2016 - £2,682,000) was payable to former directors as compensation for loss of office.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

7 Income from fixed asset investments

	2017 £ 000	2016 £ 000
Dividend income from fixed asset investments	20	117

8 Amounts written off investments

	2017 £ 000	2016 £ 000
Impairment of subsidiary undertakings	588,232	128,010
Impairment of unlisted investments	-	1,138
	588,232	129,148

The company tests investments annually for impairment or more frequently if there are indicators that investments may be impaired. The recoverable amounts for the company's investments are measured through review of the investee's net asset position and determining the higher of the value in use and the fair value less costs to sell. Value in use is determined by discounting future expected cash flows, based on management approved budgets and long term forecasts. These reflect management's current experience and future expectations of the markets in which the investments operate.

In the year the pre tax discount rate used by the company in its impairment test ranged from 12.5% - 31.25% (2016 - 12.5%). The long term growth rates used were between -1% and 3% (2016 - 2% growth). This resulted in total impairment charges of £588,232,000 (2016 - £129,148,000).

The investment in subsidiary undertakings was impaired by £588,232,000 (2016 - £128,010,000). Unlisted investments were impaired by £Nil (2016- £1,138,000) during the year. See note 16.

9 Other interest receivable and similar income

	2017 £ 000	2016 £ 000
Interest receivable from group companies	5,189	5,605
Bank interest and other similar income receivable	189	417
	5,378	6,022

10 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
Bank interest payable	-	1
Interest on amounts payable to group undertakings	6,070	5,888
	6,070	5,889

During the year, the company paid interest on amounts due to certain group undertakings at rates between 1.5% and 4.0% (2016 - 1.5% and 4.0%).

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

11 Other finance costs

	Note	2017 £ 000	2016 £ 000
Net interest on net defined benefit liability	25	1,771	863

12 Taxation

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	-	-
Deferred taxation		
Deferred tax	-	-
Tax charge/(credit) in the income statement	-	-

The tax on loss before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.75% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Loss before tax	(589,459)	(145,052)
Corporation tax at standard rate	(116,418)	(29,010)
Expenses not deductible for tax purposes	2,305	2,927
Impairment of investments	116,175	26,119
Non-taxable income	(6)	(105)
Group relief and transfer pricing adjustments	(4,439)	5,778
Effect of transitional adjustments	-	(115)
Deferred tax not recognised	2,383	(5,594)
Total tax charge/(credit)	-	-

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

12 Taxation (continued)

Factors that may affect future tax charges

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The 2015 summer budget stated that the rate of corporation tax will be reduced from 20% to 19% from 1 April 2017, and 18% from 1 April 2020. This change received Royal Assent on 18 November 2015. Subsequently the 2016 Budget stated that from 1 April 2020 the rate will instead reduce to 17%. This change received Royal Assent on 15 September 2016.

Deferred tax balances have been measured at a rate of 17%, being the rate substantively enacted at the balance sheet date.

13 Intangible assets

	Internal use software £ 000
Cost or valuation	
At 4 July 2016	86,656
Additions	6,870
Disposals	(10,371)
At 2 July 2017	83,155
Amortisation	
At 4 July 2016	58,344
Amortisation charge for the year	11,618
Amortisation eliminated on disposals	(10,371)
At 2 July 2017	59,591
Carrying amount	
At 2 July 2017	23,564
At 3 July 2016	28,312

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

14 Tangible assets

	Freehold land and buildings £ 000	Leasehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Assets under the course of construction £ 000	Total £ 000
Cost or valuation					
At 4 July 2016	86,049	111,992	64,984	6,595	269,620
Additions	-	-	-	10,047	10,047
Disposals	-	(25,653)	(21,082)	-	(46,735)
Transfers	(86,049)	1,805	4,821	(6,626)	(86,049)
At 2 July 2017	-	88,144	48,723	10,016	146,883
Depreciation					
At 4 July 2016	50,880	36,638	49,560	-	137,078
Charge for the year	1,411	4,634	5,850	-	11,895
Eliminated on disposal	-	(25,653)	(21,040)	-	(46,693)
Transfers	(52,291)	-	-	-	(52,291)
At 2 July 2017	-	15,619	34,370	-	49,989
Carrying amount					
At 2 July 2017	-	72,525	14,353	10,016	96,894
At 3 July 2016	35,169	75,354	15,466	6,595	132,584

Included within the net book value of land and buildings above is £Nil (2016 - £35,169,000) in respect of freehold land and buildings and £72,525,000 (2016 - £75,354,000) in respect of long leasehold land and buildings.

The company previously adopted a policy of revaluing freehold land and buildings and they were stated at their revalued amount less any subsequent depreciation and accumulated impairment losses. The company has adopted the transition exemption under FRS 102 paragraph 35.10(d) and has elected to use the previous revaluation at deemed cost. The freehold land and buildings were last revalued at 1 November 1981. The valuation has not subsequently been updated.

During the year freehold land and buildings with a carrying value of £33,758,000 were transferred to another group undertaking.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

15 Heritage assets

£ 000

Cost

At 3 July 2016 and 2 July 2017

64

Net book value

At 3 July 2016 and 2 July 2017

64

The heritage assets were previously recorded at valuation. They consist of a collection of manuscripts, newspapers and other artefacts which were independently valued at £56,000 in November 2003 by Sotheby's with additional purchases made at cost amounting to £8,000. The directors feel that this valuation is still appropriate. The company has applied the cost model, and has taken the deemed cost exemption under FRS 102 paragraph 35.10(d), as a result all heritage assets are carried at cost, from the date of transition.

Additions and disposals in the year

During the year there have been no additions or disposals to the collections of heritage assets.

Five year history

There have been no significant additions or disposals of heritage assets within the past 5 financial periods.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

16 Investments

	Investment in subsidiary companies (a) £ 000	Ultimate parent company (b) £ 000	Unlisted investments (c) £ 000	Total £ 000
Cost or valuation				
At 4 July 2016	4,282,976	1,563	16,378	4,300,917
Additions	358,438	-	1,996	360,434
Disposals	-	-	(1,138)	(1,138)
Revaluation	-	343	-	343
At 2 July 2017	4,641,414	1,906	17,236	4,660,556
Provision				
At 4 July 2016	3,676,621	-	1,138	3,677,759
Eliminated on disposals	-	-	(1,138)	(1,138)
Current year impairment charge	588,232	-	-	588,232
At 2 July 2017	4,264,853	-	-	4,264,853
Carrying amount				
At 2 July 2017	376,561	1,906	17,236	395,703
At 3 July 2016	606,355	1,563	15,240	623,158

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

16 Investments (continued)

(a) Investments in subsidiary companies

The Company tests investments annually for impairment or more frequently if there are indicators that investments may be impaired. The recoverable amounts for the Company's investments are measured through review of the investee's net asset position and a value in use calculation, which is compared to the fair value less cost to sell. Value in use is determined by discounting future expected cash flows, based on management approved budgets and long term projections. These reflect management's current experience and future expectations of the markets in which the investments operate.

The pre tax discount rate used by the Company in its impairment test ranged from 12.5% - 31.25% (2016 12.5%). The long term growth rates used are between -1% and 3% (2016 2%). This has resulted in impairment charges totalling £588,232,000 (2016 - £129,148,000).

An adjustment was made to deferred consideration relating to acquisition of Unruly Holdings Limited ("Unruly"). £17,454,000 deferred consideration was paid during the year and the company has recognized a liability of £17,340,000 for the remaining contingent consideration (see note 20). There were £450,000 additions relating to the Unruly acquisition included in the current year.

On 26 September 2016 the company acquired 100% ownership of Wireless Group Limited for cash consideration of £221,367,000.

Additional capital funding was provided to News Group Newspapers Limited during the year on the capitalisation of a financial asset that had an original value of £130,00,000 (see note 18).

(b) Ultimate parent company

The company holds Class A Common Stock of News Corporation at a market value of £1,906,000 (2016 - £1,563,000). The company holds 180,704 (2016 - 180,704) shares in News Corporation. The shares are held by the News Corp UK & Ireland Limited Employees Share Trust for the sole benefit of the company's employees following the maturity of existing employee share plans on 31 December 2013.

(c) Unlisted investments

At 2 July 2017 unlisted investments comprised £15,000,000 (2016 - £15,000,000) investment in The Press Association, £240,000 (2016 - £240,000) investment in Silverhub Media Limited and £1,996,000 (2016 - £Nil) in Tab Media Limited.

During the year the company acquired a 19.49% share of Tab Media Limited for a cash consideration of £1,996,000. The company disposed of its holding in A Spokesman Said Limited for £Nil consideration. No gain or loss was made on the disposal.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

17 Debtors

	2017 £ 000	2016 £ 000
Amounts owed by group undertakings	1,303,858	579,327
Other debtors	831	2,283
Prepayments	1,018	2,858
Foreign currency forward contracts	-	187
	<u>1,305,707</u>	<u>584,655</u>

18 Other financial assets

	Financial assets at fair value through profit and loss £ 000
Current financial assets	
Cost	
Financial Asset	240,000
Capitalisation of future revenue rights (see note 16)	(130,000)
Revaluation recognised in profit and loss	<u>7,693</u>
At 2 July 2017	<u>117,693</u>
Carrying amount	
At 2 July 2017	<u>117,693</u>

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

During March 2017, News Corp UK & Ireland Limited decided to assign the right for £130m of the original £240m it acquired to News Group Newspapers Limited in exchange for the issue of share capital.

The carried forward financial asset represents the fair value of the remaining portion of print advertising revenue over the period 1 July 2018 to 30 June 2021. Movements in the value of the financial asset are reflected in other income.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

19 Cash and cash equivalents

	Note	2017 £ 000	2016 £ 000
Cash at bank		115,698	214,092
Bank overdrafts	20	-	(77,290)
		<u>115,698</u>	<u>136,802</u>

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

20 Creditors

	Note	2017 £ 000	2016 £ 000
Due within one year			
Bank overdrafts	19	-	77,290
Deferred consideration		7,852	15,833
Amounts owed to group undertakings		1,223,531	246,910
Taxation and social security		166	168
Lease incentive		971	959
Accruals and deferred income		23,951	25,758
		<u>1,256,471</u>	<u>366,918</u>
Due after one year			
Deferred consideration		9,489	12,341
Lease incentive		24,463	25,188
		<u>33,952</u>	<u>37,529</u>

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

21 Deferred tax

			2017 £ 000	2016 £ 000
At the beginning and end of the year			-	-
The deferred tax asset is made up as follows:				
	Recognised 2017 £ 000	Not recognised 2017 £ 000	Recognised 2016 £ 000	Not recognised 2016 £ 000
Short term timing differences	-	1,761	-	2,274
Fixed asset timing differences	-	24,087	-	18,361
Pensions	-	11,154	-	11,731
Revaluation of assets	-	-	(176)	-
Capital losses	-	-	176	-
	-	37,002	-	32,366

The company has capital losses arising in the UK of £323,276,000 (2016 - £312,821,000) that are available indefinitely for offset against future taxable profits that are considered taxable in nature. No deferred tax has been recognised in respect of these losses, other than as shown above.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

22 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£ 000	No.	£ 000
Ordinary shares of £0.10 each	3,967,802,686	396,780	3,762,587,823	376,259

During the year the company issued the following shares:

- On 13 July 2016, 1 ordinary £0.10 share for cash consideration of £64,794,000 and £34,044,000 of intercompany debt.
- On 14 July 2016, 39,851,780 ordinary £0.10 shares for cash consideration of £3,985,000.
- On 12 August 2016, 1 ordinary £0.10 share for cash consideration of £23,162,000.
- On 14 September 2016, 1 ordinary £0.10 share for cash consideration of £39,000,000.
- On 6 January 2017, 115,599,750 ordinary £0.10 shares for cash consideration of £11,560,000.
- On 31 March 2017, 49,763,330 ordinary £0.10 shares for cash consideration of £4,976,000.

As a result of the above share issues a total of £161,000,000 has been recognised as share premium.

23 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £2,205,000 (2016 - £3,745,000).

24 Commitments under operating leases

At 2 July 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	£ 000	£ 000
Not later than one year	23,991	3,395
Later than one year and not later than five years	101,994	95,411
Later than five years	424,231	443,128
	<u>550,216</u>	<u>541,934</u>

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

24 Commitments under operating leases (continued)

The company leases the UK group headquarters on a long-term lease, and other buildings on short term leases. The annual rentals payable under the leases are £24,183,000 (2016 - £27,059,000) subject to renegotiation at various intervals specified in the leases. A high proportion of these leases are subleased to other group companies. Commitments under any other operating lease agreements are held by News UK & Ireland Limited, another company within the News UK group.

25 Pension and other schemes

Defined benefit pension schemes

The company operated four pension schemes during the year.

The major scheme, which covers the majority of newspaper executives, staff and works personnel, is a UK hybrid pension scheme. This was closed to future accrual in December 2012. Until 30 September 2008, members were able to use their defined contribution funds to purchase an annuity within the plan. Members who retire after this date are now required to purchase an annuity on the open market. In January 2013, a new News UK Group Personal Pension was set up which covers all newspaper executives, staff and work personnel. During 2011, the Group closed the main UK defined benefit pension plan to future accrual.

The latest actuarial valuations range from 30 September 2013 to 31 March 2014 and were performed by a qualified independent actuary using revised assumptions that are consistent with the requirements of FRS 102. The defined benefit schemes are valued by an independent qualified actuary on at least a triennial basis. Investments have been valued for this purpose at fair value.

The assets of the pension schemes are held in separate externally administered trust funds. The pension costs relating to the defined benefit schemes are assessed in accordance with the advice of a qualified actuary using the projected unit method.

The total cost relating to defined benefit schemes for the period recognised in profit or loss as an expense was £2,870,000 (2016 - £2,124,000).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2017 £ 000	2016 £ 000
Fair value of scheme assets	423,139	407,226
Present value of defined benefit obligation	(488,749)	(472,342)
Defined benefit pension scheme deficit	(65,610)	(65,116)

News Corp UK & Ireland Limited

Notes to the Financial Statements **For the year ended 2 July 2017 (continued)**

25 Pension and other schemes (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2017
	£ 000
Present value at start of period	472,342
Current service cost	8
Interest cost	13,152
Benefits paid from plan	(18,849)
Effect of changes in assumptions	22,096
Present value at end of period	<u>488,749</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2017
	£ 000
Fair value at start of period	407,226
Interest income	11,381
Return on plan assets	16,180
Current service cost	(1,091)
Contributions	7,619
Benefits paid	(18,176)
Fair value at end of period	<u>423,139</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2017	2016
	£ 000	£ 000
Cash and cash equivalents	36,999	491
Equity instruments	29,526	56,443
Debt instruments	295,531	286,907
Other	61,083	63,385
	<u>423,139</u>	<u>407,226</u>

Return on scheme assets

	2017	2016
	£ 000	£ 000
Return on scheme assets	<u>16,180</u>	<u>24,899</u>

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

25 Pension and other schemes (continued)

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2017	2016
	%	%
Discount rate	2.56	2.88
Future pension increases	3.20	2.70
RPI Inflation rate	3.25	2.75
CPI inflation rate	2.25	2.00

Post retirement mortality assumptions

	2017	2016
	Years	Years
Current UK pensioners at retirement age - male	22.20	23.40
Current UK pensioners at retirement age - female	24.70	25.70
Future UK pensioners at retirement age - male	23.90	25.10
Future UK pensioners at retirement age - female	26.60	27.60

Retirement healthcare benefits

Included within the pension obligation above is £11,175,000 (2016 - £10,458,000) relating to post-retirement medical benefit liability.

Non-registered pension arrangements

The Finance Act 1989 reduced the maximum approvable pensionable salary to members who joined the defined benefit scheme after June 1989. This led to the setting up of two multi employer non registered retirement benefit arrangements. These arrangements will pay promised pension benefits in excess of those payable from the registered schemes. The defined benefit obligation comprises £49,598,000 (2016 - £42,411,000) arising from unfunded plans and is disclosed within the amounts above.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

26 Parent and ultimate parent undertaking

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

The ultimate parent is News Corporation, incorporated in Delaware in the United States.

The smallest and largest group in which the results of the company are consolidated is that headed by News Corporation, whose principal place of business is at 1211 Avenue of the Americas, New York, NY 10036. The consolidated financial statements are available to the public and may be obtained from 1 London Bridge Street, London, SE1 9GF.

27 Post balance sheet events

On 12 July 2017 the company issued 58,082,730 ordinary shares to News Corp Holdings UK & Ireland for £5,808,273 at par consideration.

On 29 September 2017 the company issued 67,025,740 ordinary shares to News Corp Holdings UK & Ireland for £6,702,574 at par consideration.

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

28 Subsidiary undertakings

Direct subsidiary undertakings

The following are active subsidiary undertakings of the company (unless stated all ownership is 100% of ordinary shares and registered in England & Wales):

News Group Newspapers Limited - Publisher of The Sun and The Sun on Sunday
Times Newspapers Holdings Limited - Holding company
The Times Literary Supplement Limited - Publisher of The Times Literary Supplement
Newsprinters Limited (formerly known as News Solutions Limited) - Provision of production and related personnel resources
Unruly Holdings Limited - Provision of advertising and other media service
News UK & Ireland Direct Limited - Provision of distribution services to retail outlets
News Promotions Limited - Newspaper promotions
News UK & Ireland Limited - Provision of related personnel resources and shared service functions
News UK & Ireland Trading Limited - Provision of related personnel resources and shared service functions
News UK Ireland Recruitment Holdings Limited - Holding company
Admacroft Limited - Finance company
News Property Three Limited - Asset holding company
News Collins Limited - Holding and finance company
Wireless Group Limited - Holding company *

Indirect subsidiary undertakings

The following are active subsidiary undertakings of the company (unless stated all ownership is 100% of ordinary shares and registered in England & Wales):

Times Newspapers Limited - Publisher of The Times and The Sunday Times
News Printers Assets Limited - Holding company
Newsprinters (Broxbourne) Limited - Provision of production and related personnel resources
Newsprinters (Eurocentral) Limited - Provision of production and related personnel resources (registered in Scotland)
Newsprinters (Knowsley) Limited - Provision of production and related personnel resources
KIP Limited - Provision of production and related personnel resources
Muse Recruitment Holdings Limited - Holding company
HarperCollins (UK) - Holding company
HarperCollins Publishers Limited - Book publishing
HarperCollins Publishers (Australia) PTY Limited - Book publishing (registered in Australia)
HarperCollins Publishers (New Zealand) Limited - Book publishing (registered in New Zealand)
HarperCollins Canada Limited - Book publishing (registered in Canada)
HarperCollins Publishers India Pvt - Book publishing (registered in India)
Unruly Group Limited - Provision of advertising and other media services

News Corp UK & Ireland Limited

Notes to the Financial Statements For the year ended 2 July 2017 (continued)

28 Subsidiary undertakings (continued)

Indirect subsidiary undertakings (continued)

Unruly Media AB - Provision of advertising and other media services (registered in Sweden)
Unruly Media AS - Provision of advertising and other media services (registered in Norway)
Unruly Media GmbH - Provision of advertising and other media services (registered in Germany)
Unruly Media Sarl - Provision of advertising and other media services (registered in France)
Unruly Media Pte.Limited - Provision of advertising and other media services (registered in Singapore)
Unruly Media PTY Limited - Provision of advertising and other media services (registered in Australia)
Unruly Media KK - Provision of advertising and other media services (registered in Japan)
Wireless Group Media (GB) Limited - Holding company *
The Wireless Group Holdings Limited - Holding company *
talkSport Limited - Radio broadcaster *
The Wireless Group (ILRS) Limited - Radio broadcaster *
Switchdigital (S&S) Limited - Local digital multiplex operator *
Switchdigital (B&H) Limited - Local digital multiplex operator *
Switchdigital (London) Limited - Local digital multiplex operator (80.5%) *
Switchdigital (Scotland) Limited - Local digital multiplex operator (92.0%) *
Wireless Group New Media Limited - Holding company *
Simply Zesty Limited - Provision of digital media services (registered in Republic of Ireland)*
Simply Zesty UK Limited - Provision of digital media services *
The Internet Business Limited - Provision of internet hosting and related services *
Wireless Radio (ROI) Limited - Holding company (registered in Republic of Ireland) *
City Broadcasting Limited - Radio broadcaster (registered in Republic of Ireland) *
Treaty Radio Limited - Radio broadcaster (registered in Republic of Ireland) *
U105 Limited - Radio broadcaster *
The Independent Broadcasting Corporation Limited - Radio broadcaster (registered in Republic of Ireland) *
Capital Radio Productions Limited - Radio broadcaster (registered in Republic of Ireland) *
Anotherway Unlimited Company - Radio broadcaster (registered in Republic of Ireland) *
County Media Limited - Radio broadcaster (registered in Republic of Ireland) *
Radio County Sound Limited - Radio broadcaster (registered in Republic of Ireland) *
Cork Media Enterprise Limited - Radio broadcaster (registered in Republic of Ireland) *
Shawnee Limited - Radio broadcaster (registered in Republic of Ireland) *

* Acquired on 26 September 2016