

THE NEWS  
CORPORATION  
LIMITED 1981  
ANNUAL REPORT

# FINANCIAL HIGHLIGHTS

|   |  |                 |
|---|--|-----------------|
| Year ended June 30, 1981  |  |                 |
| Group turnover (excluding Associated Companies) .....   |  | \$1,064,300,000 |
| Profit after income tax and before Extraordinary Items .....  |  | \$51,681,000    |
| Dividend distribution to public shareholders  |  |                 |
| 1. On 63,072,005 ordinary shares of The News Corporation Limited at 11.0 cents per share .....  |  | \$6,938,000     |
| 2. On 19,907,000 special dividend shares of News International Limited at 11.0 cents per share (equivalent to 6.3043 pence per share) ..... |  | \$2,305,000     |
| Total Assets .....  |  | \$817,009,000   |
| Total Capital and Reserves .....  |  | \$312,500,000   |
| Number of ordinary shareholders of The News Corporation Limited at June 30, 1981 .....  |  |                 |
|   |  | 4,325           |
| Number of special dividend shareholders of News International Limited at June 30, 1981 .....  |  |                 |
|   |  | 1,625           |

# CHIEF EXECUTIVE'S REVIEW

**T**he past year has been a momentous one for The News Corporation Ltd. There have been important acquisitions, major new tests of the Company's competitive mettle, and a change in the very structure of the Company itself.

You will recall that with the establishment of News Corporation as the parent company of the group, and with the subsequent restructuring of the share capital of News International Ltd., all of the Company's diverse enterprises were brought under a single corporate umbrella. This means that with this report, the whole of the U.K. operations of News International and the whole of the U.S. operations of News America Publishing Inc. have for the first time been brought to account on a consolidated basis. Also, our equity interest in the results of Ansett Transport Industries Ltd. is shown for the full year as against the half year only at June 30, 1980.

This restructuring effectively transforms The News Corporation from a company with various part-interests around the world into an integrated group with full control over the capital resources of its subsidiaries. As a result, the Company's reported turnover, excluding associated companies, was more than \$1 billion in the fiscal year ending June 30, 1981 compared with \$280 million the previous year. We now have greater flexibility in making acquisitions and investments and in supporting our activities internationally.

Those activities were expanded in February 1981 by the most significant publishing ac-

quisition, the acquisition of News Ltd., publishers of *The Times* of London, *The Sunday Times*, and the three weekly *Times* supplements. More than anything else, this acquisition will put to the test the Company's past record of buying weak publications and turning them around financially. It represents a monumental challenge to our managerial skills. In the year prior to our takeover, the *Times* group lost \$30 million, and it continues to suffer heavy losses. Returning *The Times* to profitability, while maintaining the quality for which it is famous, will be a long-term effort, which will be explained in detail later in this report. That effort is under way and already beginning to show exciting results. We are confident that it can be done.

With the addition of *The Times* and *The Sunday Times*, News Corporation now owns nine major dailies and seven major Sunday newspapers around the world. Yet, despite the worldwide trend toward monopoly ownership of newspapers, we have no monopolies. Every reader and every advertiser is a hard-won prize that, in our view, could be lost to the competition at any time. Consequently, over the years we have developed a highly competitive management style, with the ability to plan boldly and move quickly. This has stood us in good stead in the past year as our competition has been augmented by brand-new newspapers in four cities: New York, London, Perth, and Darwin. Each situation has been handled differently, and, in all cases, I am pleased to report that our newspapers have more than held their own.

The competitive challenge launched against the *New York Post* was by far the most serious and the most expensive for the Company. The intention of its new competitor, the *Daily News Tonight*, was no less than to break the *Post*; our response to it is described later in this report. In August, after the close of the financial year, and one year after it was launched, the *Daily News Tonight* was withdrawn from publication. At that time, the *New York Post* had not merely survived, but had increased its circulation and advertising. Overcoming this head-on challenge helped the *Post* achieve a new level of credibility. There can be no question that the *Post* is a growing force in the community and that, after years of sustaining heavy losses, its future is looking increasingly bright.

With the continuing advancement of media technology fueling a growing demand for software, the Company is focusing its efforts on developing additional software capacity. Two recent publishing acquisitions are cases in point. Subsequent to the close of the financial year, the opportunity arose to acquire 42.5 percent of the voting stock in William Collins & Sons (Holding) Ltd. In conformity with the takeover requirement, a formal offer was made for the balance of the shares, but the conditions were not fulfilled. Collins is the largest independent publisher in the United Kingdom and a leading publisher and largest book distributor in Australia. Also, just after the close of the reporting year, News Corporation acquired the business of the oldest hardcover book publisher in Australia: Angus & Robertson

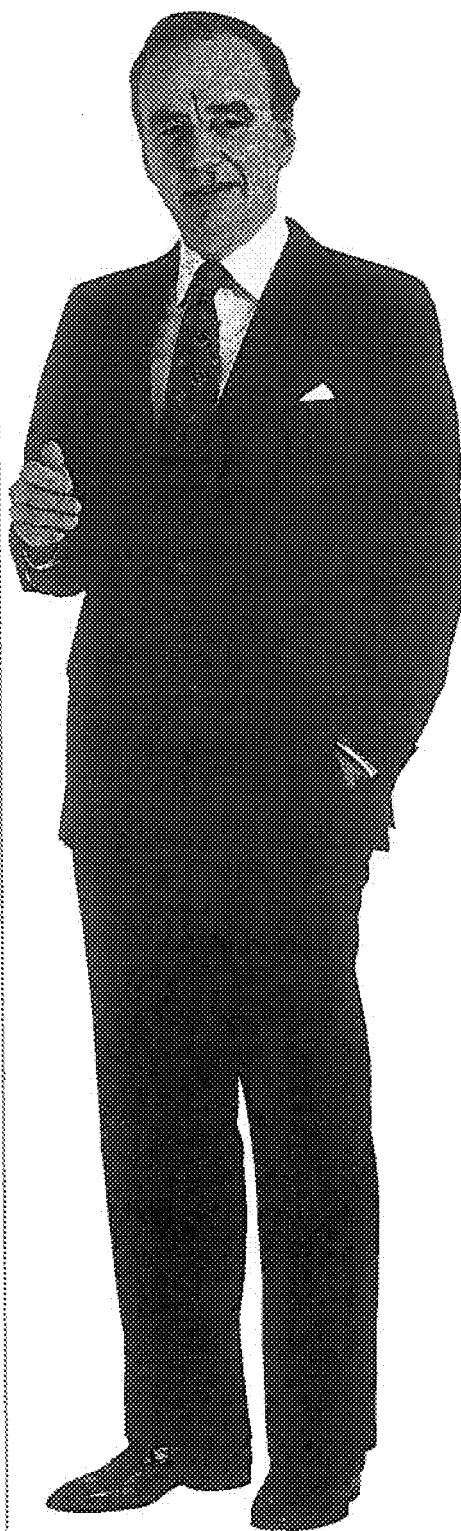
Books Ltd., which is one of the more successful publishing houses in the world, News Corporation's new investments in book publishing operations give us considerable support in the long-term growth of software production.

Last year also, News Corporation's television stations spent \$29 million on productions for Australian television. During the course of the year, the Australian Broadcasting Tribunal refused approval of a 50 percent interest in Channel 10 in Melbourne held through Ansett Transport Industries on grounds that common ownership of TV stations in Sydney and Melbourne led to undue concentration. At the time of this writing, we are challenging this before the Administrative Appeals Tribunal and hope a decision will have been reached by the time of our annual meeting.

We continue to keep a watchful eye on the energy situation and have taken up strategic positions in three important energy ventures, as described later in this report.

Results for most of the major operating divisions of News Limited in Australia were considerably improved over last year, in part because the country's economy is one of the fastest-growing of all the advanced Western nations. Offsetting this improvement, however, were higher charges for interest and depreciation.

The United Kingdom is suffering its worst recession since the 1930s, and this has cut into the advertising support of our publications there. In addition to this, progress is hampered by a lack of entrepreneurial drive in



The drop in the value of sterling has, by itself, increased the cost of newsprint by 20 percent since the beginning of the year. In view of all this, it is remarkable that the combined results of our British holdings achieved about the same level of profits this year as last.

In America, our hopes to make net profits for the second successive year were dashed by the heavy costs of the competitive challenge to the *New York Post*, which reversed the positive financial result achieved the prior year.

Sir Kenneth May, the Managing Director of News Limited, retired at the end of 1980 and has agreed to continue to serve both as a Director of the Corporation and of News Limited. Sir Kenneth joined the Company as a copyboy 51 years ago and, after many years as a distinguished journalist, played a key role in recent times in the major expansion of our activities. He was a popular and respected leader throughout the Company, and we are all delighted that we will continue to benefit from his counsel.

Sir Norman Young, who joined the Board in 1969 and became its Chairman in 1970, has also reached the age of retirement. For many years an outstanding leader in Australian business, Sir Norman has been a stimulating and wise Chairman of our Board. He will be greatly missed by all his colleagues, who wish him a long and healthy retirement.

## UNITED KINGDOM

News International Ltd., the British subsidiary of News Corporation, publishes the world's most popular English-language daily (*The Sun*), the most popular weekly (*News of the World*), and, with the acquisition of *The Times* and *The Sunday Times*, the highest-quality daily and weekly as well.

At the time of the takeover by News International, *The Times* had reached the most precarious state of its 195-year history. It had suffered through years of worsening industrial relations and massive financial losses. With management and unions at

an impasse over introduction of new technology and reduction of manning levels, *The Times* had suspended publication in November 1978. Upon resumption 11 months later, it was assumed that agreement on the basic issues had been reached—but it had not. A week-long journalist's strike, the first in *The Times'* history, occurred in August 1980, and in October 1980, 1 million copies of *The Sunday Times* were lost because of industrial action. It was at this point, a year after resumption of publication, that the owners decided either to sell *The Times*, *The Sunday Times*, and the three

supplements or to close them. News International became the buyer in February 1981, but not before achieving an understanding with the 54 union chapels involved in producing *The Times* and its associated titles.

In essence, the unions agreed to a reduction in manning of 563 jobs (15 percent), a three-month wage freeze, and the phased introduction of modern photo-composition technology. While News International had sought more than this, the agreement represented major concessions by the unions. Furthermore, it was understood that the three *Times* supplements were to be printed outside London, where costs are lower. And most important, the unions agreed to a "disputes procedure," wherein production would continue while industrial disputes were being handled through the negotiation and arbitration process.





V. Metton

All of the agreed upon cost-cutting measures have since been implemented or are very close to schedule. The disputes procedure was breached in June 1981 when a walkout caused the loss of 400,000 copies of *The Sunday Times* and again in September when management was forced to close both *The Sunday Times* and *The Times* for 3 days, losing one entire issue of *The Sunday Times* and 3 issues of *The Times*. In both instances the Board's firm resolve to cease publication unless the disputes procedure was strictly followed resulted in resolution of the matter and the unions reaffirmed their intention to abide by the procedure.

As might have been expected, inroads into the circulation of *The Times* were made by its competitors because of the 11 month publishing hiatus. By the time of takeover in February, 15 months after the resumption of publication, *The Guardian's* circulation still was 90,000 higher than the 312,000 it had attained prior to the suspension. *The Daily Telegraph*, with a circulation of 1,405,000, had retained 160,000 new readers, while *The Financial Times*, at 193,000, had

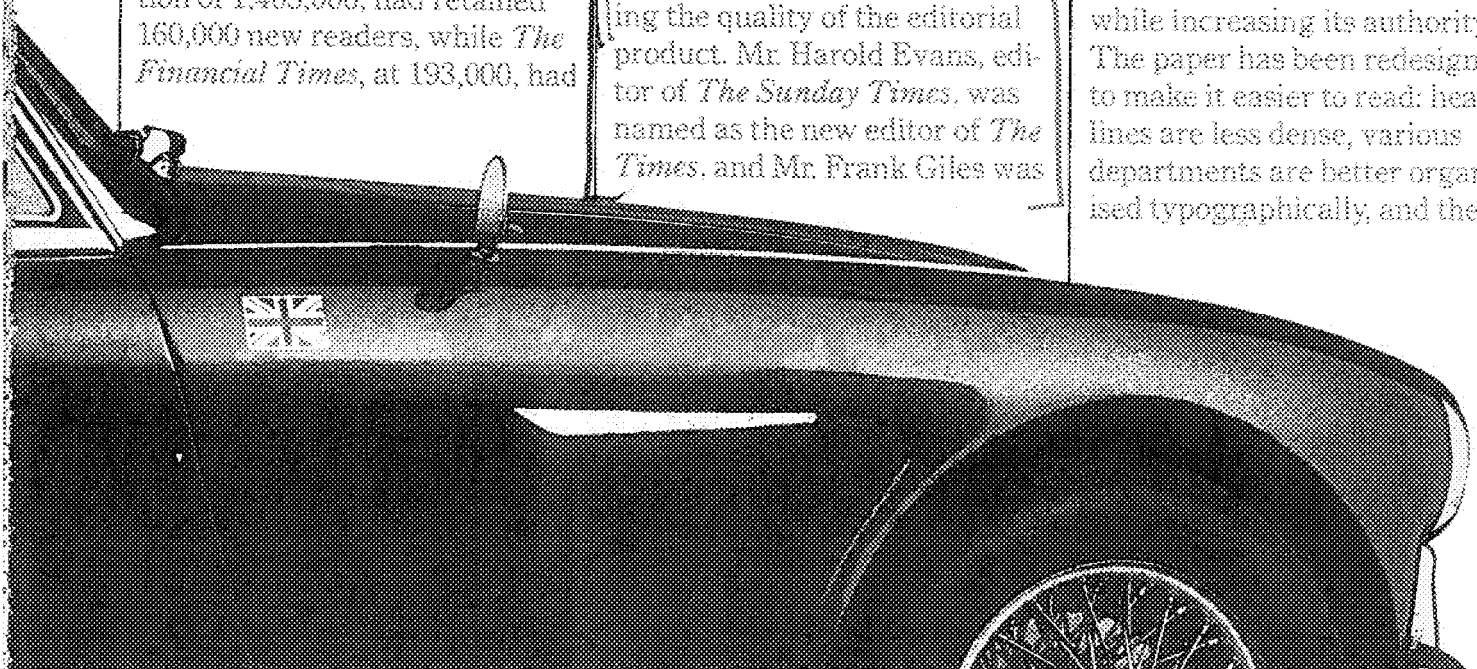


gained 5,000. By contrast, *The Times'* circulation of 276,000 represented a loss of approximately 50,000.

News International set itself the task of increasing the circulation of *The Times* while restoring the quality of the editorial product. Mr. Harold Evans, editor of *The Sunday Times*, was named as the new editor of *The Times*, and Mr. Frank Giles was

promoted from deputy editor to editor of *The Sunday Times*.

Mr. Evans, the author of five books on the craft of editing, designing, and writing for newspapers, has begun, in a number of ways, to improve *The Times* while increasing its authority. The paper has been redesigned to make it easier to read: headlines are less dense, various departments are better organised typographically, and the



ARSEN BANS

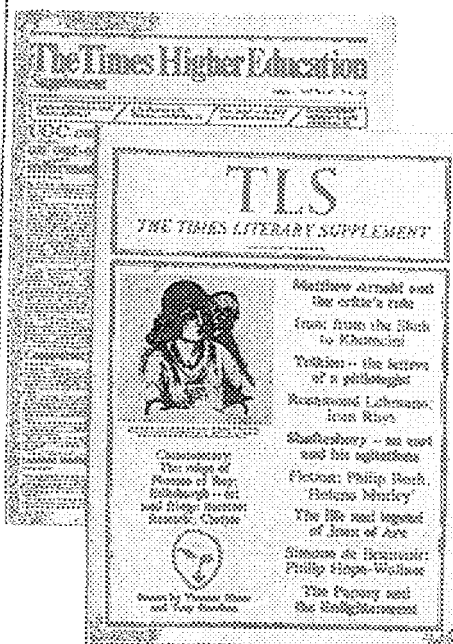
CIRCULATION RISE at The Times

same logical sequence—news, then features, sports, leaders, etc.—is being maintained in the paper every day. The Royal crest has been restored to the mast-head on the first page. The last page, which used to contain notices of weddings, births, and so forth, now has news on the top half, including, for the sake of convenience, some carry-over from page one, and on the bottom half, "The Times Information Service," a new feature comprising useful data on events of the day, television highlights, likely traffic conditions, best-selling books, international valuation of the pound, and detailed weather forecasts. *The Times* layout is still elegant, but it is more accessible.

The four classical pillars of *The Times* remain: the law reports, parliamentary reports, the obituaries, and the leaders and letters page. The senior editorial team is being transformed and several distinguished new columnists added. The primacy of first-hand reporting is being restored. *The Times'* position as the paper of record has been strengthened by the inclusion of much more detail. For example, whereas *The Times* used to publish the university results only for Oxford and Cambridge, it now records degrees awarded in universities throughout the British Isles. In July 1981, that meant listing (and checking for accuracy) the names of 16,000 graduates.

In an unprecedented use of colour, *The Times* included a free four-colour magazine the day before the Royal Wedding and sold out its press run of 500,000 copies. The morning after the wedding, a front-page colour photograph of the Duke

and Princess of Wales emerging from St. Paul's was wrapped around 250,000 copies of a 400,000-copy run, which also sold out. While the cost of the colour printing was not covered by the revenues it generated, the effort succeeded in re-introducing *The Times* to thousands of readers who had not seen it for some time.



The results of this energetic editorial program have been extremely gratifying. There have been virtually no complaints. With no promotion, circulation has begun to move upward, from 276,000 at the time of the takeover to more than 300,000 today.

The advertising will, as is common, lag behind the increase in circulation, but eventually it will be positively affected by it. *The Times'* share of the quality market is 12 percent today, compared with 63 percent for *The Daily Telegraph* and 8.4 percent for *The Guardian*. The advertising picture has been aggravated by a 7.5 percent drop in the quality advertis-

ing market due to the present recession in Britain.

In short, *The Times* will continue to incur losses for some years to come, but the improvement in its editorial product and its circulation growth provide the basis for optimism.

**C**irculation and advertising, while always matters of concern, are not the major problems facing *The Sunday Times*, which has a substantial lead over both of its quality competitors (*The Sunday Telegraph* and *The Observer*) in both categories. Its circulation, at 1.4 million, is approximately 50 percent higher than that of each of the others, and its share of the quality advertising market is more than double that of the *Sunday Telegraph* and 80 percent higher than *The Observer's* share. Its advertising lead widened, in fact, during the first six months of 1981, compared to the same period the previous year. The recent slump in advertising in the colour magazine is due to the fall-off of advance orders during the period of uncertainty before News International's takeover. This has been more than made up, and record-size issues are due in the fall.

Production of *The Sunday Times* is the biggest single press operation in Europe: 1.4 million copies of 80 pages in 11 hours. This is where the problems lie. Any disruption of production means a reduced press run and, therefore, copies lost forever. The presses are still considerably overmanned and thus economically inefficient. It is primarily in this area that *The Sunday Times* has much progress to make.