

News Corporation
K.R. Murdoch
First Statement
"KRM13"
12 April 2012

**IN THE MATTER OF THE LEVESON INQUIRY INTO THE CULTURE, PRACTICES AND ETHICS
OF THE PRESS**

EXHIBIT "KRM13"

This is the exhibit marked "KRM13" referred to in the witness statement of Keith Rupert Murdoch dated the 12th day of April 2012.

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Memorandum

From Hilary Bateson 3rd February 1981

To Mr J Evans

cc: Mr G C Brunton
Mr W M Brown
Mr C N D Cole
Sir Denis Hamilton ✓
Mr M R Aidin
Miss F Campbell
Mr I M Clubb
Mr M J Cudlipp
Mr D Heritage
Mr M D Knight
Ms E Knowles
Mr D Nisbet-Smith

TIMES NEWSPAPERS

I attach a copy of the Secretary of State's reply to John Smith which the Department of Trade has placed in the House of Commons Library today.

Before he went away, Michael Cudlipp discussed this with Hugh Stevenson and we will respond to any requests for further information by reminding them that the document from which this came was confidential and that this particular point was only made public by the Department of Trade to clarify a specific point and/or misunderstanding that arose during the debate.

Hilary Bateson

Hilary Bateson

DEPARTMENT OF TRADE

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*From the Secretary of State*

The Rt Hon John Smith MP
House of Commons
London, SW1A 0AA

3 February 1981

Dear John,

Thank you for your letter of 28 January.

The primary source of financial and other information which the Department's accountants considered when preparing their advice for me was contained in a document prepared by Warburgs for prospective purchasers, but that information was supplemented with information and explanations provided by Times Newspapers and Warburgs at the request of the Department's accountants.

Prior to reaching my decision on the Sunday Times I looked at historic figures since 1975, provisional figures for the year 1980 and projections for future years.

As for 1980, in your opening speech you gave some figures, which I understood to be taken from the Warburg document, of the trading results and forecasts for the Sunday Times, and you spoke of a "small profit for 1980". The basic figure in the Warburg document was of a loss of £600,000 for 1980, estimated with the benefit of actual figures for the first 9 months (not 11 months as I mistakenly said in the House). After making adjustments which my Department's accountants and I thought proper, we arrived at a figure of £700,000. I was also informed that the first draft accounts (unaudited) for the year as a whole showed a more favourable figure than had been estimated, but still entailing a loss of £200,000 (with my adjustment, £300,000) for the year. None of the foregoing figures made allowance for remuneration of capital, and as I told the House, had they done so there would have been a substantially greater loss.



From the Secretary of State

I have to say that I am not aware of a forecast or any actual results later than those on which the Warburg estimate was made which show a profit for 1980 even before allowing for interest on capital.

As for future years, the basic Warburg figures were, I understand, prepared so as to indicate the range of "the future profit potential" a prospective buyer might be able to attain, on certain major assumptions. Those figures were not held out to be forecasts of what was actually expected. Accordingly my Department's accountants considered these figures critically, and formed the view that in important respects those assumptions could not be relied on, and therefore adjusted some of the Warburg figures substantially downwards. I agreed with them, and such are the uncertainties for the future that I considered it unsafe to place much reliance on figures for years well ahead of the present.

In addition to looking at the figures on the basis of the existing structure of the Times Newspapers Group with both The Times and The Sunday Times contributing to the overhead and fixed costs and an allocation of such costs between the newspapers, I also considered the possibility of The Sunday Times being treated as a wholly separate newspaper without any other newspaper contributing to such costs. It will be no surprise to you to learn that on this basis the position appeared even less favourable.

You may have seen a suggestion in the Press that I ignored legal advice that this was a case to be referred to the Commission. I have received no such advice from any quarter.

I am placing a copy of this letter, together with a copy of your letter to me, in the Library of the House.

John Biffen
JOHN BIFFEN