

**THE SPECTATOR (1828) LIMITED**

**Financial Statements**

**for the year ended**

**31 December 2001**



**Company Registration No. 1232804**

**THE SPECTATOR (1828) LIMITED**

**Report and accounts for the year ended 31 December 2001**

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# **THE SPECTATOR (1828) LIMITED**

## **Directors**

J G Cluff *Chairman*  
Lady Black  
Lord Black PC OC  
D W Colson  
D C Fildes OBE  
K Fortier  
The Lord King of Wartnaby  
The Rt Hon Francis Maude  
Sir Patrick Sheehy  
The Lord Tebbit PC CH

## **Secretary**

A J Davies

## **Registered Office**

56 Doughty Street  
London WC1N 2LL

## **Auditors**

KPMG Audit Plc  
8 Salisbury Square  
London EC4Y 8BB

## Report of the Directors

The directors present their report and the accounts of the company for the year ended 31 December 2001.

### Activities

The company's principal activity is the publication of *The Spectator* magazine.

### Review of business and future prospects

The company showed a profit after tax for the year of £852,822 compared to £790,148 in 2000.

### Results for the year

The results for the year are set out in the profit and loss account on page 7.

During the year, interim dividends of £1,642,642 were paid. The directors do not recommend a payment of a final dividend.

Loss for the year retained in the company is (£789,820) profit (2000: £290,335).

### Directors

The directors who served during the year were:

J G Cluff *Chairman*  
Lady Black  
Lord Black PC OC  
D W Colson  
D C Fildes OBE  
K Fortier  
The Lord King of Wartnaby  
The Rt Hon Francis Maude  
Sir Patrick Sheehy  
The Lord Tebbit PC CH

The company's articles of association do not require the retirement of directors by rotation or the re-election at a general meeting of directors appointed by the board.

Under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 directors of the company are exempt from the obligation otherwise imposed by s324 Companies Act 1985 to notify the company of an interest in shares in, or debentures of, the company, or any other body corporate, being the company's subsidiary or holding company or a subsidiary of the company's holding company, which is based overseas.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any other UK based group company.

None of the directors had a beneficial interest in any contract to which the company was a party during the year.

**Statement of Directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Elective resolutions**

At the annual general meeting held in 1991, the members invoked section 379A of the Act by passing elective resolutions:

- as permitted by section 252 of the Act, to dispense with the laying of accounts and reports before the company in general meeting;
- as permitted by section 366A of the Act, to dispense with the holding of annual general meetings; and
- as permitted by section 386 of the Act, to dispense with the obligation to appoint auditors annually.

By Order of the Board



**A J Davies**  
*Secretary*

56 Doughty Street  
London WC1N 2LL

7 May 2002

## **Independent auditors' report to the members of The Spectator (1828) Limited**

We have audited the financial statements on pages 7 to 15.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.


### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

22 MAY

2002

## THE SPECTATOR (1828) LIMITED

### Profit and loss account

for the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	1,2	6,710,349	6,386,875
Cost of sales		(2,961,192)	(2,903,396)
GROSS PROFIT		3,749,157	3,483,479
Other operating expenses	3	(2,650,919)	(2,577,008)
OPERATING PROFIT		1,098,238	906,471
Interest receivable and similar income	5	182,112	219,487
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,280,350	1,125,958
Tax on profit on ordinary activities	6	(427,528)	(335,810)
PROFIT FOR THE FINANCIAL YEAR		852,822	790,148
Dividends paid on equity shares		(1,642,642)	(499,813)
Retained (loss)/profit for the year		(789,820)	290,335

Results for the year arise from continuing operations.

With the exception of the retained loss for the year, there were no other movements in shareholder's funds.

The historic cost profit and loss is the same as that shown above.

The notes on pages 9 to 15 form part of these accounts.

# THE SPECTATOR (1828) LIMITED

## Balance sheet

at 31 December 2001

	Notes	£	2001 £	£	2000 £
<b>FIXED ASSETS</b>					
Tangible assets	8		631,307		665,447
<b>CURRENT ASSETS</b>					
Stocks	9	18,992		22,688	
Debtors	10	1,979,803		3,299,317	
Cash at bank and in hand		2,026,874		1,205,482	
		<u>4,025,669</u>		<u>4,527,487</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<b>(3,083,125)</b>		<b>(2,829,263)</b>	
<b>NET CURRENT ASSETS</b>			<b>942,544</b>		<b>1,698,224</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>1,573,851</b>		<b>2,363,671</b>
<b>Net Assets</b>			<b>1,573,851</b>		<b>2,363,671</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		1,403,968		1,403,968
Profit and loss account	14		169,883		959,703
<b>Equity shareholder's funds</b>	13,14		<b>1,573,851</b>		<b>2,363,671</b>

Approved by the board on 7 May 2002 and signed on its behalf by:



**J G Cluff (Chairman)**

The notes on pages 9 to 15 form part of these accounts.

**Notes to the accounts**

**31 December 2001**

**1. Accounting policies**

**(a) Accounting convention**

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

**(b) Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**(c) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost on a straight line basis over the expected useful economic lives of the assets which are as follows:

Fixtures and fittings	3-5 years
Property improvements	4-10 years
Property	50 years

Property is not depreciated as it has a long expected life and high residual value and the depreciation charge would be immaterial and accordingly no depreciation is required.

**(d) Stocks**

Stocks are valued at the lower of cost and net realisable value.

**(e) Deferred taxation**

Deferred taxation is provided at the rates of taxation which are expected to apply on all material differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the accounts, except where such differences are expected to continue in the future.

**(f) Turnover**

Turnover represents the invoiced amount of goods sold and advertising space provided net of commission, allowances and value added tax.

# THE SPECTATOR (1828) LIMITED

## Notes to the accounts

31 December 2001 – continued

### 1. Accounting policies (continued)

#### (g) Pensions

The company is a participating employer under the Telegraph Staff Pension Plan, a defined contribution pension scheme operated by the immediate parent company, Telegraph Group Limited, the contributions to which are charged to the company's profit and loss account as the company's obligation to pay arises.

#### (h) Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to produce a cash flow statement as it is a subsidiary undertaking of Hollinger Inc which itself prepares consolidated accounts.

2. Turnover	2001 £	2000 £
Magazine sales and advertising revenue	6,484,767	6,167,535
Other revenue	225,582	219,340
	<u>6,710,349</u>	<u>6,386,875</u>
	=====	=====
Analysis by geographical area	%	%
United Kingdom and Eire	76	78
Rest of the world	24	22
	<u>100</u>	<u>100</u>
	===	===

The directors consider there is only one class of business.

3. Other operating expenses	2001 £	2000 £
Distribution costs	2,088,654	2,025,704
Administrative expenses	562,265	551,304
	<u>2,650,919</u>	<u>2,577,008</u>
	=====	=====

### 4. Profit on ordinary activities before taxation

2001 2000

The profit on ordinary activities before taxation is stated after charging:

Depreciation of tangible fixed assets	57,308	22,273
Auditors' remuneration	7,300	7,300
	<u>64,608</u>	<u>29,573</u>
	=====	=====

In addition to the above, the auditors received £4,400 for other services to the company (2000: £4,150).

# THE SPECTATOR (1828) LIMITED

## Notes to the accounts

31 December 2001 – continued

<b>5. Interest Receivable and similar income</b>	<b>2001</b>	<b>2000</b>
	£	£
Interest on Related Party Loans	118,273	161,482
Bank Interest	63,839	58,005
	<u>182,112</u>	<u>219,487</u>
	<u>=====</u>	<u>=====</u>
<b>6. Taxation</b>	<b>2001</b>	<b>2000</b>
	£	£
UK corporation tax at 30% (2000: 30%)	427,528	349,564
(Over)/under provision in previous year	-	(13,754)
	<u>427,528</u>	<u>335,810</u>
	<u>=====</u>	<u>=====</u>
<b>7. Emoluments of the directors and employees</b>	<b>2001</b>	<b>2000</b>
	£	£
(a) Total emoluments, including pension contributions of the directors:		
As directors	29,500	20,915
Other emoluments	124,449	120,826
	<u>153,949</u>	<u>141,741</u>
	<u>=====</u>	<u>=====</u>
<b>Emoluments of the highest paid director:</b>		
Salary and benefits	93,000	89,000
Pension contributions	9,224	7,488
	<u>102,224</u>	<u>96,488</u>
	<u>=====</u>	<u>=====</u>
(b) Average number of persons employed:	<b>2001</b>	<b>2000</b>
Editorial	12	11
Selling, distribution and administration	14	16
	<u>26</u>	<u>27</u>
	<u>=====</u>	<u>=====</u>

# THE SPECTATOR (1828) LIMITED

## Notes to the accounts

31 December 2001 – continued

(c) Employee costs - all employees including directors	2001 £	2000 £
Wages and salaries	1,020,420	1,049,269
National insurance contributions	102,391	104,968
Pension contributions ( <i>see note 15</i> )	69,425	75,901
	<u>1,192,236</u>	<u>1,230,138</u>

8. Tangible fixed assets	Freehold property and improvements £	Fixtures & fittings £	Total £
Cost:			
At 1 January 2001	627,117	363,192	990,309
Additions	-	23,168	23,168
	<u>627,117</u>	<u>386,360</u>	<u>1,013,477</u>
At 31 December 2001	627,117	386,360	1,013,477
Depreciation:			
At 1 January 2001	27,358	297,504	324,862
Charge for the year	32,409	24,899	57,308
	<u>59,767</u>	<u>322,403</u>	<u>382,170</u>
At 31 December 2001	59,767	322,403	382,170
Net book value:			
At 31 December 2001	<u>567,350</u>	<u>63,957</u>	<u>631,307</u>
At 31 December 2000	<u>599,759</u>	<u>65,688</u>	<u>665,447</u>

Included within the cost and net book value of freehold property and improvements is the cost of the freehold property of £515,000 which is not being depreciated as the directors believe that the property has indefinite life and has suffered no diminution in value. Consequently, no depreciation is charged.

9. Stocks	2001 £	2000 £
Paper and stationery stocks	<u>18,992</u>	<u>22,688</u>

# THE SPECTATOR (1828) LIMITED

## Notes to the accounts

31 December 2001 – continued

<b>10. Debtors</b>	<b>2001</b>	<b>2000</b>
	£	£
Trade debtors	424,753	376,958
Amounts owed by parent company	1,500,816	2,869,222
Prepayments and accrued income	54,234	53,137
	<u>1,979,803</u>	<u>3,299,317</u>
	=====	=====
 <b>11. Creditors: amounts falling due within one year</b>	 <b>2001</b>	 <b>2000</b>
	£	£
Trade creditors	201,846	43,531
Other creditors including taxation and social security:		
Mainstream corporation tax	440,646	218,756
Other creditors	17,052	11,590
Accruals and deferred income	2,423,581	2,555,386
	<u>3,083,125</u>	<u>2,829,263</u>
	=====	=====
 <b>12. Called up share capital</b>	 <b>2001</b>	 <b>2000</b>
	£	£
Authorised:		
1,700,000 Ordinary shares of £1 each	1,700,000	1,700,000
	<u>=====</u>	<u>=====</u>
Called up, allotted, and fully paid:		
1,403,968 Ordinary shares of £1 each	1,403,968	1,403,968
	<u>=====</u>	<u>=====</u>
 <b>13. Reconciliation of movement in shareholder's funds</b>	 <b>2001</b>	 <b>2000</b>
	£	£
Retained (loss)/profit for the year	(789,820)	290,335
	<u>-----</u>	<u>-----</u>
Net addition to shareholder's funds	(789,820)	290,335
	<u>-----</u>	<u>-----</u>
Opening equity shareholder's funds	2,363,671	2,073,336
	<u>-----</u>	<u>-----</u>
Closing equity shareholder's funds	1,573,851	2,363,671
	=====	=====

Notes to the accounts  
31 December 2001 – continued

14. Reserves

	Share Capital £	Profit and Loss Account £	Equity Shareholder's Funds £
At 1 January 2001	1,403,968	959,703	2,363,671
Profit for the year	-	852,822	852,822
Dividends paid on equity shares	-	(1,642,642)	(1,642,642)
As 31 December 2001	<u>1,403,968</u>	<u>169,883</u>	<u>1,573,851</u>

15. Pensions

The company participates in the Telegraph Staff Pension Plan ("the Plan"). The plan is a hybrid pension scheme, being part defined contribution and part defined benefit.

Benefits from the defined contribution section of the Plan arise directly as a result of contributions paid by members and the company, and from the investment performance of assets into which contributions are invested. Triennially a qualified actuary performs a valuation of the arrangements. For the purpose of the valuation the liabilities of the defined contribution benefits are exactly balanced by the assets representing accumulated contribution balances.

The defined benefit portion of the Plan provides certain members with a deferred benefit based on final pensionable salary, contributions being charged to the profit and loss account so as to spread the cost of pensions over beneficiaries' working lives. The contributions are determined by the actuary on the basis of the actuarial valuation using the projected unit method.

Pension costs charged to the profit and loss account for the year were £69,425 (2000: £75,901).

Other details of the Plan can be found in the accounts of Telegraph Group Limited, the company's parent.

16. Related Party

There are no related party transactions other than those with the company's parent, Telegraph Group Limited, disclosure of which is granted an exemption under FRS 8.

**Notes to the accounts**

**31 December 2001 – continued**

**17. Ultimate parent company**

Hollinger Inc., incorporated in Canada and listed on the Toronto, Montreal and Vancouver stock exchanges, is the company's ultimate parent company.

The largest group in which the results of the company are consolidated is that of which Hollinger Inc. is the parent company. The consolidated accounts of Hollinger Inc. can be obtained from Montreal Trust Company of Canada, 151 Front Street West, 8th Floor, Toronto, Ontario, Canada M5J 2N1.

The smallest such group is that of which is Hollinger UK Holdings Limited, registered in England and Wales, is the parent company. Copies of the accounts of Hollinger UK Holdings Limited can be obtained from its registered office, One Canada Square, Canary Wharf, London, E14 5DT.