THE SPECTATOR (1828) LIMITED

Financial Statements

for the year ended

31 December 1998

Company Registration No. 1232804

Report and accounts for the year ended 31 December 1998

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THE SPECTATOR (1828) LIMITED

Directors

J G Cluff *Chairman*
B J E Amiel
Hon C M Black PC OC
D W Colson
D C Fildes OBE
K Fortier
The Lord King of Wartnaby
Sir Patrick Sheehy
The Lord Tebbit PC CH

Secretary

A J Davies

Registered Office

56 Doughty Street
London WC1N 2LL

Auditors

KPMG Audit Plc
PO Box 695
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 1998.

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 £539,025 compared to £544,657 in 1997.

Results for the year

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

The directors do not recommend the payment of a dividend *(1997: Nil)*. Profit for the year retained in the company is £539,025 *(1997: £544,657)*.

Year 2000

The directors are aware of the possible problems with computer systems and other date aware micro-chip based equipment in the change to the next millennium. The directors have been advised that the subscription and printing companies used by the company are Year 2000 compliant. The financial and the apple system used by the company will require some modification. The directors are satisfied that these modifications at an estimated cost of £10,000 can be undertaken prior to the year end and are funded as part of the company's normal IT operations.

Directors

The directors who served during the year are as shown on page 3.

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.

Of the directors in office on 31 December 1998, Mr Black, Mr Colson and Lord King were also directors of Telegraph Group Limited ("Group"), the company's immediate parent company. Their interests in shares of Group are disclosed in the register kept by Group pursuant to Section 325 of the Companies Act 1985 ("the Act"). None of the other directors had any such interests.

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:

(i) as permitted by section 252 of the Act, to dispense with the laying of accounts and reports before the company in general meeting;

(ii) as permitted by section 366A of the Act, to dispense with the holding of annual general meetings; and

(iii) 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

26 May 1999

Report of the auditor, KPMG Audit Plc,

to the members of The Spectator (1828) Limited

We have audited the financial statements on pages 7 to 14.

Respective responsibilities of directors and auditors

As described on pages 4 and 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

27 May 1999

THE SPECTATOR (1828) LIMITED

Profit and loss account

for the year ended 31 December 1998

	Notes	1998 £	*1997* *£*
Turnover	2	5,714,742	*5,701,759*
Cost of sales		(2,770,394)	*(2,829,696)*
GROSS PROFIT		2,944,348	*2,872,063*
Other operating expenses	3	(2,287,014)	*(2,172,419)*
OPERATING PROFIT	4	657,334	*699,644*
Interest receivable and similar income	5	186,348	*111,033*
Interest payable and similar charges	6	-	*(7,500)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		843,682	*803,177*
Tax on profit on ordinary activities	7	(304,657)	*(258,520)*
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR		539,025	*544,657*

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 13 December 1998 £	*Year ended* *31 December* *1997* *£*
Profit for the financial period	539,025	*544,657*
Write off residual of carrying value of masthead	-	*(150,492)*
Total recognised gains for the period	539,025	*394,165*

Results for the year arise from continuing operations.

With the exception of the retained profit for the year, there were no other movements in shareholders' funds. The historic cost profit and loss is the same as that shown above.

The notes on pages 9 to 14 form part of these accounts.

THE SPECTATOR (1828) LIMITED

Balance sheet
at 31 December 1998

	Notes	1998 £	1998 £	*1997 As restated £*	*1997 As restated £*
FIXED ASSETS					
Tangible assets	9		583,141		*588,151*
CURRENT ASSETS					
Stocks	10	29,554		*27,630*	
Debtors	11	2,605,411		*2,546,209*	
Cash at bank and in hand		803,192		*365,773*	
		3,438,157		*2,939,612*	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(2,408,121)		*(2,453,611)*	
NET CURRENT ASSETS			1,030,036		*486,001*
TOTAL ASSETS LESS CURRENT LIABILITIES			1,613,177		*1,074,152*
Net Assets			1,613,177		*1,074,152*
CAPITAL AND RESERVES					
Called up share capital	13		1,403,968		*1,403,968*
Profit and loss account	14,15		209,209		*(329,816)*
Equity shareholders' funds	14		1,613,177		*1,074,152*

Approved by the board on 26 May 1999 and signed on its behalf by:

J G Cluff (Chairman)

The notes on pages 9 to 14 form part of these accounts.

Notes to the accounts
31 December 1998

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) *Intangible fixed assets*

In accordance with FRS 10, the company can no longer capitalise its intangible asset. The effect of this change in accounting policy has been to remove the intangible asset of £1,000,000 from the balance sheet and offset it against the revaluation reserve (£849,508) and profit and loss reserve (£150,492) in respect of prior years.

(d) *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 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.

(e) *Stocks*

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

(f) *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.

(g) *Turnover*

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

Notes to the accounts
31 December 1998 - continued

1. Accounting policies (continued)

(h) *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.

(i) *Cashflow statement*

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

2. Turnover

	1998 £	*1997 £*
Magazine sales and advertising revenue	5,506,398	*5,492,601*
Other revenue	208,344	*209,158*
	5,714,742	*5,701,759*

Analysis by geographical area	%	*%*
United Kingdom and Eire	81	*83*
Rest of the world	19	*17*
	100	*100*

The directors consider there is only one class of business.

3. Other operating expenses

	1998 £	*1997 £*
Distribution costs	1,750,047	*1,670,314*
Administrative expenses	536,967	*502,105*
	2,287,014	*2,172,419*

4. Operating profit

The operating profit is stated after charging/crediting:	1998 £	*1997 £*
Depreciation of tangible fixed assets	21,054	*33,149*
Auditors' remuneration	7,000	*6,800*

In addition to the above, the auditors received £3,900 for other services to the company *(1997: £3,450)*.

Notes to the accounts
31 December 1998 – continued

5. Interest Receivable

	1998 £	*1997 £*
Loan Interest	133,434	*78,000*
Bank Interest	52,914	*33,033*
	186,348	*111,033*

6. Interest Payable

	1998 £	*1997 £*
Loan interest	-	*7,500*

7. Taxation

	1998 £	*1997 £*
UK corporation tax at 31% *(1997: 31.5%)*	(284,044)	*(247,827)*
Under provision in previous year	(20,613)	*(10,693)*
	(304,657)	*(258,520)*

8. Emoluments of the directors and employees

	1998 £	*1997 £*
(a) Total emoluments, including pension contributions of the directors:		
As directors	11,000	*11,000*
Other emoluments	123,492	*34,678*
	134,492	*45,678*
Emoluments of the highest paid director:		
Salary and benefits	86,000	*6,000*
Pension contributions	7,130	*560*
	93,130	6,560

(b) Average number of persons employed:	1998 £	*1997 £*
Editorial	12	*11*
Selling, distribution and administration	16	*15*
	28	*26*

Notes to the accounts
31 December 1998 – continued

(c) Employee costs - all employees including directors

	1998 £	*1997 £*
Wages and salaries	949,349	*909,142*
National insurance contributions	92,065	*87,148*
Pension contributions	62,452	*63,156*
	1,103,866	*1,059,446*

9. Tangible fixed assets

	Freehold property and improvements £	Fixtures & fittings £	Total £
Cost:			
At 1 January 1998	558,809	276,871	835,680
Additions	-	16,043	16,043
At 31 December 1998	558,809	292,914	851,723
Depreciation:			
At 1 January 1998	17,734	229,794	247,528
Charge for the year	1,605	19,449	21,054
At 31 December 1998	19,339	249,243	268,582
Net book value:			
At 31 December 1998	539,470	43,671	583,141
At 31 December 1997	541,074	47,077	588,151

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.

10. Stocks

	1998 £	*1997 £*
Paper and stationery stocks	29,554	*27,630*

THE SPECTATOR (1828) LIMITED
Notes to the accounts
31 December 1998 – continued

11. Debtors

	1998 £	*1997 £*
Trade debtors	459,067	*444,400*
Amounts owed by parent company	2,062,250	*1,979,806*
Prepayments and accrued income	84,094	*122,003*
	2,605,411	*2,546,209*

12. Creditors: amounts falling due within one year

	1998 £	*1997 £*
Trade creditors	164,088	*113,988*
Other creditors including taxation and social security:		
Mainstream corporation tax	318,050	*247,827*
Other creditors	31,219	*204,313*
Accruals and deferred income	1,894,764	*1,887,483*
	2,408,121	*2,453,611*

13. Called up share capital

	1998 £	*1997 £*
Authorised:		
1,700,000 Ordinary shares of £1 each	1,700,000	*1,700,000*
Called up, allotted, and fully paid:		
1,403,968 Ordinary shares of £1 each	1,403,968	*1,403,968*

14. Reconciliation of movement in shareholders funds

	1998 £	*1997 £*
Retained profit for the year	539,025	*544,657*
Net addition to shareholders' funds	539,025	*544,657*
Opening equity shareholders' funds (originally £2,074,152 before deducting prior year adjustment of £1,000,000 – as explained in note 1)	1,074,152	*529,495*
Closing equity shareholders' funds	1,613,177	*1,074,152*

15. Reserves

	Share Capital £	Revaluation Reserve £	Profit and Loss Account £	Equity Shareholders' Funds £
At 1 January 1998 (before restatement)	1,403,968	849,508	(179,324)	2,074,152
Write off revalued carrying value of masthead – as explained in note 1	-	(849,508)	(150,492)	(1,000,000)
Restated at 1 January 1998	1,403,968	-	(329,816)	1,074,152
Profit for the year	-	-	539,025	539,025
As 31 December 1998	1,403,968	-	209,209	1,613,177

16. Pensions

The company operates two defined contribution pension schemes. Pension costs charged to the profit and loss account for the year were £62,452 *(1997: £63,174)*. The Telegraph Staff Pension Plan covers the majority of the company's employees. It also provides final salary benefits on death and incapacity and a defined benefit underpin for members. The Telegraph Executive Pension Scheme provides for senior executives.

17. Related Party

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

18. Ultimate parent company

The directors regard Hollinger Inc., incorporated in Canada and listed on the Toronto, Montreal and Vancouver stock exchanges, as 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 DT Holdings Ltd, registered in England and Wales, is the parent company. Copies of the accounts of DT Holdings Ltd can be obtained from the company's registered office, One Canada Square, Canary Wharf, London, E14 5DT.