

THE SPECTATOR (1828) LIMITED

Financial Statements

for the period ended

2 January 2005

Company Registration No. 1232804



THE SPECTATOR (1828) LIMITED

Directors

K Fortier
A S Barclay
H M Barclay
R K Mowatt
P L Peters
M Seal

Secretary

S Griffiths

Registered Office

56 Doughty Street
London WC1N 2LL

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH
United Kingdom

Report of the Directors

The directors present their report and the accounts of the company for the period ended 2 January 2005.

Activities

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

Results and dividends

The company showed a profit before tax for the period of £1,447,000 compared to £1,007,000 in 2003.

Profit for the year retained in the company is £990,430 (2003: £418,772).

No dividends were paid in the period (2003: £673,905). The directors do not recommend a payment of a final dividend.

Post balance sheet event

On 3 January 2005, the Telegraph Group Limited sold its investment in The Spectator (1828) Limited to May Corporation Limited, a fellow subsidiary of Press Holdings Limited ("Holdings"), the Company's ultimate parent company, for £20,000,000. The consideration was paid by the creation of a loan account due from May Corporation Limited.

Directors and directors' interests

The directors who served during the period were:

K Fortier

A S Barclay (appointed 27 September 2004)

H M Barclay (appointed 27 September 2004)

R K Mowatt (appointed 27 September 2004)

P L Peters (appointed 27 September 2004)

M Seal (appointed 27 September 2004)

J G Cluff (ceased to be a director 29 October 2004)

Lady Black (ceased to be a director 19 May 2004)

The Lord Black of Crossharbour (ceased to be a director 26 March 2004)

D W Colson (ceased to be a director 23 March 2004)

D C Fildes OBE (ceased to be a director 29 October 2004)

The Lord King of Wartnaby (ceased to be a director 29 October 2004)

The Rt Hon Francis Maude (ceased to be a director 29 October 2004)

Sir Patrick Sheehy (ceased to be a director 29 October 2004)

The Lord Tebbit PC CH (ceased to be a director 29 October 2004)

The Hon. J W Deedes (appointed 12 May 2004, ceased to be a director 29 October 2004)

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 ("the Act") 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.

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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for maintaining 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 Companies Act 1985. 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.

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



S Griffiths

Secretary

56 Doughty Street
London WC1N 2LL

27 MAY 2005

Report of the independent auditors to the members of The Spectator (1828) Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 is not disclosed.

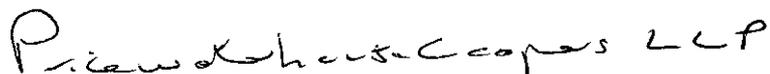
Basis of audit opinion

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 affairs of the company at 2 January 2005 and of its profit the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

27 May 2005

Profit and loss account

for the period ended 2 January 2005

	Notes	Period to 2 January 2005 £ '000	Year to 31 December 2003 restated £ '000
Turnover	2	7,799	7,447
Cost of sales		(3,281)	(2,939)
Gross profit		4,518	4,508
Distribution costs		(1,117)	(1,397)
Administrative expenses		(2,162)	(2,248)
Operating profit		1,239	863
Interest receivable and similar income	4	208	144
Profit on ordinary activities before taxation	3	1,447	1,007
Tax on profit on ordinary activities	5	(457)	86
Profit for the financial period		990	1,093
Dividends payable on equity shares	6	-	(674)
Retained profit for the period		990	419

Results for the period arise from continuing operations.

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

The notes on pages 8 to 14 form part of these accounts.

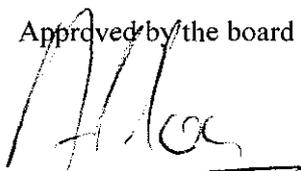
THE SPECTATOR (1828) LIMITED

Balance sheet

at 2 January 2005

	Notes	At 2 January 2005 £ '000	At 31 December 2003 £ '000
Intangible assets			
Goodwill	8	-	75
Fixed assets			
Tangible assets	9	573	602
Current assets			
Raw materials and consumables		13	20
Debtors	10	4,850	2,834
Cash at bank and in hand		1,535	2,843
		<u>6,398</u>	<u>5,697</u>
Creditors: amounts falling due within one year	11	(3,964)	(4,357)
		<u>2,434</u>	<u>1,340</u>
Net current assets			
		<u>3,007</u>	<u>2,017</u>
Capital and reserves			
Called up share capital	12	1,404	1,404
Profit and loss account	14	1,603	613
Equity shareholder's funds	13	<u>3,007</u>	<u>2,017</u>

Approved by the board on 27 May 2005 and signed on its behalf by:



Director

A S BARAKAT



Director

RK HOWATT

The notes on pages 8 to 14 form part of these accounts.

Notes to the accounts
2 January 2005

1. Accounting policies

(a) *Accounting convention*

The accounts have been prepared on a going concern basis under the historical cost convention, and in accordance with applicable accounting standards.

Under Financial Reporting Standard ("FRS") 1 (Revised) (*cash flow statement*) the company is exempt from the requirement to produce a cash flow statement as it is a subsidiary undertaking of Press Acquisitions Limited which itself prepares consolidated accounts.

(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) *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 was capitalised. Upon acquisition the directors, having regard to the nature of business, the industry in which it operates and the impact of competitors, had assessed this period to be 10 years in relation to goodwill arising on the purchase of *Apollo* magazine business on 18 November 2002. During the year to 2 January 2005 a reassessment was made and the amount of £74,568 goodwill has been written off on the basis of the future discounted cashflows that are expected to arise.

(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	50 years
Computer equipment	3-5 years

(e) *Stocks*

Stocks are valued at the lower of cost and net realisable value on a first in first out basis.

(f) *Deferred taxation*

Full provision is made for deferred tax 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.

Notes to the accounts
2 January 2005 – continued

1. Accounting policies (continued)

(g) *Turnover*

Turnover and cost of sales have been represented to offset discounts payable to wholesalers against newsstand income receivable. There is no resultant impact on the loss recorded in the period. Turnover represents the invoiced amount of goods sold and advertising space provided net of commission, allowances and value added tax. It is recognised when the goods are delivered or as the advertising is shown in the newspaper. Contracts which span the year end are recognised on a pro rata basis in line with contractual milestones.

(h) *Cost of Sales*

Cost of sales represent expenditure for producing the magazine and generating advertising sales.

(i) *Pensions*

The company is a participating employer under the Telegraph Staff Pension Plan, a hybrid 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.

2. Turnover

	Period to 2 January 2005	Year to 31 December 2003 restated
	£ '000	£ '000
Magazine sales and advertising revenue	7,476	7,086
Other revenue	323	361
	<u>7,799</u>	<u>7,447</u>

3. Profit on ordinary activities before taxation

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

Depreciation of tangible fixed assets	73	56
Impairment / amortisation of goodwill	75	8
Auditors' remuneration	14	8
	<u>162</u>	<u>62</u>

4. Interest receivable and similar income

Interest receivable from parent undertaking	131	81
Bank interest	77	63
	<u>208</u>	<u>144</u>

Notes to the accounts
2 January 2005 – continued

5. Taxation

	Period to 2 January 2005 £ '000	Year to 31 December 2003 £ '000
UK corporation tax at 30% (2003: 30%)	500	323
Group relief adjustment to prior years	<u>(43)</u>	<u>(409)</u>
	<u>457</u>	<u>(86)</u>

The current tax charge for the year is higher (2003: lower) than the standard rate of corporation tax in the UK (30%) (2003: 30%).

The differences are explained below:

Profit on ordinary activities before tax	<u>1,447</u>	<u>1,007</u>
Tax at current rate: 30% (2003: 30%)	434	302
Expenses not deductible for tax (primarily: depreciation and amortisation)	21	31
Capital allowances for the period less than /(in excess of) depreciation	14	(10)
Group relief adjustment to prior years	(43)	(409)
Adjustment to tax charge in previous year	31	-
Tax on profit on ordinary activities	<u>457</u>	<u>(86)</u>

6. Dividends

Payable on ordinary equity shares (48p per share)	<u>-</u>	<u>674</u>
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7. Directors' emoluments

Aggregate emoluments	<u>141</u>	<u>165</u>
Aggregate pension contribution	<u>12</u>	<u>10</u>
Aggregate emoluments paid to the highest paid Director	<u>134</u>	<u>112</u>
Pension contribution	<u>12</u>	<u>10</u>

During the period, the highest paid director exercised options in Hollinger International Inc, the Company's former parent company, which were received in connection with their employment with The Spectator (1828) Limited.

Retirement benefits are accruing to one Director under defined contribution scheme (2003: one).

Notes to the accounts
2 January 2005 – continued

7. Emoluments of the directors and employees - continued

(c) Average number of persons employed:

	Period to 2 January 2005	Year to 31 December 2003
Editorial	14	14
Selling, distribution and administration	18	18
	<u>32</u>	<u>32</u>

(d) Employee costs - all employees including directors:

	£ '000	£ '000
Wages and salaries	1,458	1,385
National insurance contributions	179	149
Pension contributions (see note 15)	99	96
	<u>1,736</u>	<u>1,630</u>

8. Intangible fixed assets - Goodwill

£ '000

Cost:

At 1 January 2004 & 2 January 2005 83

Amortisation:

At 1 January 2004 8

Impairment charged during the year 75

At 2 January 2005 83

Net book value:

At 2 January 2005 -

At 1 January 2004 75

9. Tangible fixed assets

	Freehold property and improvements £ '000	Fixtures and fittings £ '000	Total £ '000
Cost:			
At 1 January 2004	627	466	1,093
Additions	-	44	44
At 2 January 2005	<u>627</u>	<u>510</u>	<u>1,137</u>
Depreciation:			
At 1 January 2004	116	375	491
Charge for the period	27	46	73
At 2 January 2005	<u>143</u>	<u>421</u>	<u>564</u>
Net book value:			
At 2 January 2005	<u>484</u>	<u>89</u>	<u>573</u>
At 31 December 2003	<u>511</u>	<u>91</u>	<u>602</u>

The land and buildings comprises freehold property only. The land and buildings concerned were independently valued on a vacant use basis by Chesterton on the 14 June 2004 at £1,350,000. The land and building are carried at historic cost.

THE SPECTATOR (1828) LIMITED

Notes to the accounts
2 January 2005 – continued

10. Debtors

	At 2 January 2005 £ '000	At 31 December 2003 £ '000
Trade debtors	579	516
Amounts owed by parent company (see note a below)	4,200	2,066
Other debtors	43	11
Prepayments and accrued income	28	241
	<u>4,850</u>	<u>2,834</u>

a) Amounts owed by parent company

Amounts owed by parent company includes a balance due from The Telegraph Group Limited of £4,200,000 (2003: £2,200,000) with interest charged at base rate plus 1%. There were no fixed terms of repayment. This loan was transferred on 3 January 2005 from The Telegraph Group Limited to May Corporation Limited, arising from the sale of Spectator to May Corporation on that same day.

11. Creditors: amounts falling due within one year

Trade creditors	85	287
Taxation and social security:	383	529
Amounts due to parent company	689	-
Accruals and deferred income	2,807	2,867
Dividends proposed	-	674
	<u>3,964</u>	<u>4,357</u>

12. Called up share capital

Authorised:

1,700,000 Ordinary shares of £1 each	<u>1,700</u>	<u>1,700</u>
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Called up, allotted, and fully paid:

1,403,968 Ordinary shares of £1 each	<u>1,404</u>	<u>1,404</u>
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13. Reconciliation of movement in shareholder's funds

Profit for financial period	990	1,093
Dividends	-	(674)
Net addition to shareholder's funds	<u>990</u>	<u>419</u>
Opening equity shareholder's funds	2,017	1,598
Closing equity shareholder's funds	<u>3,007</u>	<u>2,017</u>

14. Profit and loss account reserve

At 1 January 2004	613
Profit for the period	<u>990</u>
As 2 January 2005	<u>1,603</u>

Notes to the accounts
2 January 2005 – continued

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. The Plan is a multi employer scheme and the company has taken advantage of partial exemptions per FRS 17 *Retirement Benefits*.

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

The Defined Benefit Section of the Plan is made up of the Insurance Fund and the Protected Fund as follows:

- The Insurance Fund is used to pay benefits in respect of active members who die in-service or take ill-health early retirement. In addition it also meets the final salary promise which was given to a closed group of former members of The Daily Telegraph Group Pension Fund (“the Group Fund”) who transferred to the Plan. Expenses of the Plan are also met from this section.
- The Protected Fund is used to pay the benefits in respect of a closed group of deferred pensioners from the Group Fund who transferred to the Plan in 1998 following the wind-up of the Group Fund.

Triennially a qualified actuary performs a valuation of the arrangements. The most recent valuation of the Plan was carried out at 31 March 2003 using the Projected Unit Method and involved calculation of a funding target which was then compared to the actual assets held. Contributions are then calculated in order to meet and maintain this target in the future.

The benefits arising from the Defined Contributions Section of the Plan and from TEPS are exactly balanced by the assets held and thus do not contribute towards any surplus or deficit within the Plan; the funding target is equal to the assets held.

The funding target for the Protected Fund and that of the promise provided under the Insurance Fund was set as the estimated cost of purchasing annuities from an insurance company using an approximate basis provided by an insurer. The funding target for the ill-health pensioners was calculated assuming an investment return of 1% pa above gilts.

An appropriate allowance in the future contribution rate is made for future benefits in respect of the defined benefit promise, ill-health retirement, death in service and expenses.

The most recent actuarial valuation showed that the market value of the Plan’s assets was £72.7 million at 31 March 2003 and that the value of those assets represented 96% of the funding target. The Group’s contributions in excess of those paid to the Defined Contribution Section were increased from 2.0% to 2.5% of basic salaries with effect from 1 January 2004.

FRS17

Under FRS17 - Retirement Benefits - certain disclosures are required relating to the Protected Fund and the Insurance Fund of the Plan. No disclosures are required other than for the Protected Fund and the Insurance Fund as the liabilities of the Defined Contribution Section are exactly balanced by the assets representing accumulated contribution balances. In addition, the disclosures exclude annuities purchased to secure the benefits of the Plan’s pensioners and the related liability to those pensioners.

Notes to the accounts
2 January 2005 – continued

15. Pensions - continued

As the Company is only one of a number of employers that participate in the Plan and is unable to identify its share of the underlying assets and liabilities in the Plan on any reasonable basis. It would therefore under FRS17 account for the contributions to the Plan as if it were purely a defined contribution scheme rather than a hybrid scheme. The disclosures that are required are therefore limited to those relating to the surplus or deficit on the Plan. Full FRS17 disclosures for all the pension schemes in which the Company participates are provided in the accounts of Telegraph Group Limited.

The full actuarial valuation carried out for the Protected Fund and the Insurance Fund as at 31 March 2003 has been updated to 2 January 2005 by a qualified actuary on a basis consistent with FRS 17 using the following major assumptions:

The full actuarial valuation carried out for the Protected Fund and the Insurance Fund as at 31 March 2003 has been updated to 2 January 2005 by a qualified actuary on a basis consistent with FRS 17 using the following major assumptions:

	2004	2003	2002
Inflation	2.9%	2.7%	2.3%
Discount rate	5.3%	5.4%	5.6%
Rate of increase in pensions in payment	2.7%	2.6%	2.3%
Rate of increase in salaries	3.9%	3.7%	3.3%

The pension surplus/(deficit) using these assumptions was assessed to be:

	2004		2003		2002	
	Actuary's Expected Return	Value £ '000	Actuary's Expected Return	Value £ '000	Actuary's Expected Return	Value £ '000
Equities	8.0%	2,410	7.7%	3,730	7.4%	3,190
Bonds	5.3%	-	5.4%	310	5.6%	420
Gilts	4.6%	11,800	4.7%	9,900	4.5%	11,430
Other	4.5%	220	4.6%	260	4.0%	540
Total market value of assets		14,430		14,200		15,580
Present value of liabilities		(14,950)		(14,230)		(15,090)
(Deficit)/surplus in the Plan		(520)		(30)		490
Related deferred tax at 30%		160		10		(150)
Net pension (liability)/asset		(360)		(20)		340

18. Related party transactions and balances

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 *Related Party Disclosure*.

19. Ultimate parent company

At the period, end the Company's immediate holding company was Telegraph Group Limited, incorporated in Great Britain, which the directors regard as being controlled by the Trustees of the David and Frederick Barclay Family Settlements.

The results of the Company were not consolidated by Press Acquisitions Limited, the company which at the balance sheet date was at the head of the UK group of which the Company forms a part. This was because Press Acquisitions Limited regarded the investment in the Company as being held for resale. On 3 January 2005 Telegraph Group Limited sold its investment in the Company to May Corporation Limited, which the directors also regard as being controlled by the Trustees of the David and Frederick Barclay Family Settlements.