

# **TELEGRAPH AUSTRALIAN HOLDINGS LIMITED**

## **Report and Accounts**

**for the year ended**

**25 July 2001**



Company Registration No. 3049897

# **TELEGRAPH AUSTRALIAN HOLDINGS LIMITED**

## **DIRECTORS**

P B Healy  
M S Kipnis

## **SECRETARY**

L Loye

## **REGISTERED OFFICE**

1 Canada Square  
Canary Wharf  
London E14 5DT

## **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 25 July 2001.

### ACTIVITIES

The company acts as a holding company for certain investments of the group headed by Telegraph Group Limited ("Group").

### RESULTS AND DIVIDENDS

The profit on ordinary activities before tax for the year was £24,450,285 (2000: £23,808,165). After taking taxation and dividends into account, the retained profit for the year was £15,891,947 (2000: £15,475,307). The directors do not recommend the payment of a final dividend (2000: £nil).

### DIRECTORS

The directors who served during the year were:

Mr P B Healy  
Mr M S Kipnis

Neither of the directors in office at the end of the year had any disclosable interest in the shares of the company or any group company.

Neither of the directors in office during the year had a beneficial interest in any contract to which the company was a party during the year.

### DOMESTICATION

The company has adopted Articles of Association on its joint incorporation under the general corporation law of the State of Delaware USA (Delaware corporate file no. 2846617).

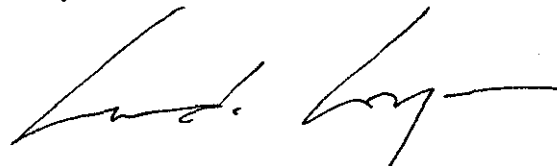
**Report of the Directors – continued**

**ELECTIVE RESOLUTIONS**

At the annual general meeting held on 9 May 1997, 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 handwritten signature in black ink, appearing to read 'L Loye', with a long horizontal stroke extending to the right.

**L Loye**  
*Secretary*

401 North Wabash Avenue  
Chicago  
Illinois 60611  
USA

May 29, 2002

**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 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 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; 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 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 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.

**Independent auditors' report to the members of Telegraph Australian Holdings Limited**

We have audited the financial statements on pages 7 to 13.

**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 affairs of the company as at 25 July 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*

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

May 29, 2002

**PROFIT AND LOSS ACCOUNT**

for the year ended 25 July 2001

	Notes	Year ended 25 July 2001 £	Year ended 25 July 2000 £
Administration expenses		(302,373)	(236,599)
<b>Operating loss</b>		(302,373)	(236,599)
Other interest receivable and similar income	2	24,752,658	24,044,764
Profit on ordinary activities before taxation	3	24,450,285	23,808,165
Tax on profit on ordinary activities	5	(8,558,338)	(8,332,858)
Profit on ordinary activities after taxation and retained profit for the year	9	<u>15,891,947</u>	<u>15,475,307</u>

Results for the year arise from continuing operations.

There were no other gains or losses recognised during the year.

There is no difference between the profit shown above and that calculated under historical cost accounting.

The notes on pages 9 to 13 form part of the financial statements.

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

**BALANCE SHEET**

at 25 July 2001

	Notes	2001 £	2000 £
<b>Fixed assets</b>	6	-	4,386
<b>Current assets</b>			
Amounts recoverable within one year:			
Cash at bank and in hand		3,934	3,934
Amounts recoverable after more than one year:			
Amounts owed by ultimate parent company	7	281,873,741	239,113,018
Amounts owed by intermediate parent companies	7	72,947,804	91,344,745
		<u>354,825,479</u>	<u>330,461,697</u>
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to intermediate parent companies		(94,098)	(184,988)
Corporation tax		(15,645,836)	(7,087,497)
		<u>(15,739,934)</u>	<u>(7,272,485)</u>
<b>Net current assets</b>		<u>339,085,545</u>	<u>323,189,212</u>
<b>Net Assets</b>		<u><u>339,085,545</u></u>	<u><u>323,193,598</u></u>
<b>Capital and reserves</b>			
Called up share capital	8	103	103
Share premium account		118,452,008	118,452,008
Profit and loss account		220,633,434	204,741,487
<b>Equity shareholders' funds</b>	10	<u><u>339,085,545</u></u>	<u><u>323,193,598</u></u>

Approved by the board on May 29, 2002 and signed on its behalf by



**M S Kipnis**  
**Director**

The notes on pages 9 to 13 form part of these accounts.



Notes to the accounts

25 July 2001

1. Accounting policies

(a) *Basis of accounting*

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

The company is exempt under section 228 of the Act from the requirement to prepare group accounts because it is a wholly owned subsidiary of a company established under the law of a member state of the European Community.

The company is exempt from the requirement of Financial Reporting Standard 1 (Revised) to prepare a cash flow statement as it is a subsidiary undertaking of Hollinger Inc, which prepares a consolidated cash flow statement in which the company's cash flows are consolidated.

As the company is a wholly owned subsidiary of Hollinger Inc, it has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

(b) *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost, less residual value, of tangible fixed assets on a straight line basis over their expected useful economic lives which are as follows:

Plant and machinery:

Computer equipment	3-5 years
Furniture and fittings	10 years

(c) *Foreign currency translation*

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the day the transaction occurs. Assets and liabilities denominated in a foreign currency are translated at the rate ruling on the balance sheet date. All exchange differences are taken to the profit and loss account.

(d) *Taxation*

Deferred taxation is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the recognition for tax purposes of income and expenditure in periods different from those in which they are included in the accounts. Provision is made at the rates which are expected to apply when the liability or asset is expected to crystallise.

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

Notes to the accounts – continued  
25 July 2001

2. Other interest receivable and similar income

	2001 £	2000 £
Interest receivable from holding companies	9,759,634	13,263,304
Foreign exchange movements on intercompany loans	14,993,024	10,781,460
	<u>24,752,658</u>	<u>24,044,764</u>

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Depreciation of and other amounts written off tangible fixed assets	4,386	1,260
Auditors' remuneration - audit services	-	-
- non-audit services	292,891	226,900

4. Employee information

(a) Average number of persons (including executive directors) employed by the company during the year:

	2001	2000
Selling, distribution and administration	<u>1</u>	<u>1</u>

(b) Employment costs (including executive directors):

	2001 £	2000 £
Wages and salaries	5,000	5,000
Social security costs	70	79
Other pension costs	1,150	1,150
Total direct cost of employment	<u>6,220</u>	<u>6,229</u>

# TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

## Notes to the accounts – continued 25 July 2001

### 5. Taxation

	2001 £	2000 £
Based on profit for the period:		
Overseas taxation	8,558,338	8,332,858
	<u>8,558,338</u>	<u>8,332,858</u>

### 6. Fixed Assets

	Plant and Machinery £	Total £
<b>Cost:</b>		
At 26 July 2000	5,646	5,646
Additions	-	-
At 25 July 2001	<u>5,646</u>	<u>5,646</u>
<b>Depreciation:</b>		
At 26 July 2000	1,260	1,260
Charge for the year	2,277	2,277
Impairment adjustment	2,109	-
At 25 July 2001	<u>5,646</u>	<u>3,537</u>
<b>Net Book Value:</b>		
At 25 July 2001	<u>-</u>	<u>2,109</u>
At 26 July 2000	<u>4,386</u>	<u>4,386</u>

### 7. Debtors

Both the amounts owed by the ultimate parent company £281,873,741 (2000: £239,113,018) and by the intermediate parent companies £72,947,804 (2000: £91,344,745) are considered to be recoverable after more than one year.

# TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

## Notes to the accounts – continued 25 July 2001

### 8. Called up share capital

	2001 £	2000 £
<i>Authorised:</i>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
<i>Called up, allotted and fully paid:</i>		
103 Ordinary shares of £1 each	103	103
	<u>          </u>	<u>          </u>

### 9. Profit and loss account

	2001 £	2000 £
At beginning of year	204,741,487	189,266,180
Retained profit for the year	15,891,947	15,475,307
	<u>          </u>	<u>          </u>
At end of year	220,633,434	204,741,487
	<u>          </u>	<u>          </u>

### 10. Reconciliation of movement in shareholders' funds

	2001 £	2000 £
Profit for the financial year	15,891,947	15,475,307
Opening shareholders' funds	323,193,598	307,718,291
	<u>          </u>	<u>          </u>
Closing shareholders' funds	339,085,545	323,193,598
	<u>          </u>	<u>          </u>

### 11. Guarantees

The company has given a guarantee in respect of a borrowing made under a US \$5,000,000 (2000: US \$575,000,000) revolving credit facility made available to certain of the company's parent companies. This guarantee is secured by a fixed charge over the company's shareholdings in subsidiary and associated companies. At the year end this indebtedness was £nil (2000: US\$ 319,000,000 and CAN\$ 165,000,000).

Notes to the accounts – continued  
25 July 2001

**12. Ultimate parent company**

Hollinger Inc., incorporated in Canada and listed on the Toronto, Montreal and Vancouver Stock Exchanges, is regarded by the directors of the company 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. may be obtained from Montreal Trust Company of Canada, 151 Front Street West, 8th Floor, Toronto, Ontario, Canada M5J 2N1.

The smallest group in which the results of the company are consolidated is that of which Hollinger International Inc, registered in Delaware, is the parent company. The consolidated accounts of Hollinger International Inc may be obtained from the company's registered office, 712 Fifth Avenue, New York, NY 10019, USA.