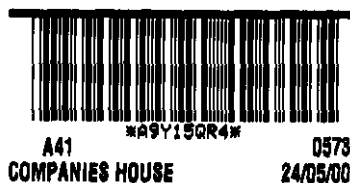


TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

Report and Accounts

for the year ended

25 July 1999



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
PO Box 695
8 Salisbury Square
London EC4Y 8BB

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the accounts of the company for the year ended 25 July 1999.

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 £21,368,609 (1998: £23,744,797). After taking taxation and dividends into account, the retained profit for the year was £14,217,307 (1998: £16,134,074). The directors do not recommend the payment of a final dividend.

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).

GROUP REORGANISATION

On 18 May 1999 the issued share capital of the company was sold by Deedtask Limited (61 ordinary shares) and Creditscheme Limited (42 ordinary shares) for approximately £298.6 million to the LHAT Corporation, a corporation incorporated in Delaware, which is a subsidiary of Hollinger International Inc.

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

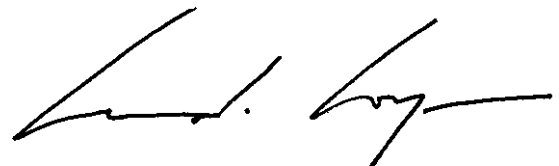
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- 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.

In the opinion of the directors they have complied with these requirements and fulfilled the said responsibilities.

By order of the Board



L Loye
Secretary

401 North Walbash Avenue
Chicago
Illinois 60611
USA
May 15, 2000

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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 1999 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

23 May 2000

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 25 July 1999

	Year ended 25 July 1999 £	Year ended 25 July 1998 £
Profits on disposal of fixed asset investments	-	412,784
Interest receivable and similar income (note 2)	21,377,256	23,332,082
Administration expenses	(8,647)	(69)
Profit on ordinary activities before taxation	21,368,609	23,744,797
Tax on profit on ordinary activities (note 3)	(7,151,302)	(7,610,723)
Profit on ordinary activities after taxation and retained profit for the year	<u>14,217,307</u>	<u>16,134,074</u>

Results for the year arise from continuing operations.

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


The notes on pages 8 to 11 form part of the financial statements.

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

BALANCE SHEET at 25 July 1999

	1999 £	1998 £
Fixed assets (see note 4)	1,185	-
Current assets		
Amounts recoverable within one year:		
Corporation Tax	1,245,361	-
Cash at bank and in hand	4,663	533
Amounts recoverable after more than one year:		
Amounts owed by ultimate parent company (see note 5)	66,124,041	19,278,123
Amounts owed by intermediate parent companies (see note 5)	240,354,060	281,832,651
	<u>307,728,125</u>	<u>301,111,307</u>
Creditors: amounts falling due within one year		
Amounts owed to intermediate parent companies	(11,019)	-
Corporation tax	-	(7,610,323)
Net current assets	<u>307,717,106</u>	<u>293,500,984</u>
Net Assets	<u>307,718,291</u>	<u>293,500,984</u>
Capital and reserves		
Called up share capital (see note 6)	103	103
Share premium account	118,452,008	118,452,008
Profit and loss account	189,266,180	175,048,873
Equity shareholders' funds (see note 7)	<u>307,718,291</u>	<u>293,500,984</u>

Approved by the board on May 15, 2000 and signed on its behalf by


M. S. Kipnis
Director

The notes on pages 8 to 11 form part of these accounts.

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

Notes to the accounts

25 July 1999

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 No. 1 (Revised) to prepare a cashflow 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 No. 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

(b) *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.

Exchange differences arising from the translation of foreign investments and the translation of foreign currency borrowings used to provide a hedge against these investments are taken directly to reserves. All other exchange differences are taken to the profit and loss account.

(c) *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.

Advance corporation tax recoverable by deduction from future corporation tax liabilities is carried forward by set off against the deferred tax balance with any excess included within debtors.

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

Notes to the accounts – continued 25 July 1999

2. Interest receivable and similar income

	1999 £	1998 £
Bank interest	2,422	-
Interest receivable from holding companies	20,298,432	23,332,082
Foreign exchange movement on parent company loan	1,076,402	-
	<u>21,377,256</u>	<u>23,332,082</u>

3. Taxation

	1999 £	1998 £
Based on profit for the period:		
UK corporation tax at 31%	-	4,305,171
Overseas taxation	7,151,302	3,305,552
	<u>7,151,302</u>	<u>7,610,723</u>

4. Fixed Assets

	Fixtures And Fittings £	Total £
Cost:		
At 26 July 1998	-	-
Additions	1,185	1,185
	<u>1,185</u>	<u>1,185</u>
At 25 July 1999		
	<u>1,185</u>	<u>1,185</u>
Net Book Value:		
At 25 July 1999	1,185	1,185
At 26 July 1998	-	-
	<u>1,185</u>	<u>1,185</u>

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

Notes to the accounts – continued 25 July 1999

5. Debtors

Both the amounts owed by the ultimate parent company £66,124,041 (1998: £19,278,123) and by the intermediate parent companies £240,354,060 (1998: £281,832,651) are considered to be recoverable after more than one year.

6. Called up share capital

	1999 £	1998 £
Ordinary shares of £1 each Authorised	1,000	1,000
Issued and fully paid	103	103

7. Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Profit for the financial year	14,217,307	16,134,074
Opening shareholders' funds	293,500,984	277,366,910
Closing shareholders' funds	307,718,291	293,500,984

8. Guarantees

The company has given a guarantee in respect of a borrowing made under a US \$525,000,000 revolving credit facility and a US\$ 250,000,000 term loan 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 stood for the term loan at US\$ 250,000,000 and for the revolving credit facility at US\$ 111,000,000 and CAN\$ 509,900,000.

TELEGRAPH AUSTRALIAN HOLDINGS LIMITED

Notes to the accounts – continued

25 July 1999

9. 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.

10. Group Reorganisation

On 18 May 1999 the issued share capital of the company was sold by Deedtask Limited (61 ordinary shares) and Creditscheme Limited (42 ordinary shares) for approximately £298.6 million to the LHAT Corporation, a corporation incorporated in Delaware, which is a subsidiary of Hollinger International Inc.