

COMPANY REGISTRATION NUMBER 1577754

**SOUTHERN STAR INTERNATIONAL LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2006**



**HEXTALL MEAKIN**  
Chartered Accountants & Registered Auditors  
Argon House  
Argon Mews  
Fulham Broadway  
London  
SW6 1BJ

# **SOUTHERN STAR INTERNATIONAL LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2006**

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# **SOUTHERN STAR INTERNATIONAL LIMITED**

## **THE DIRECTORS' REPORT**

### **YEAR ENDED 30 JUNE 2006**

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The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 June 2006.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was that of the international distribution of television programming. The directors do not envisage any future changes in those activities.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £1,674,167. The directors have not recommended a dividend.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

##### *Financial risk management objectives and policies*

The company's principal financial instruments comprise revolving cash advances and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from operations. It is the company's policy that no trading in financial instruments shall be undertaken. The main risk arising from the company's financial instruments is foreign currency fluctuation.

As the company operates in Australia, the balance sheet can be affected by movements in the UK£/A\$ exchange rates. No hedging transactions are entered into to mitigate this risk as it is considered that the company's exposure to currency fluctuations resulting from its overseas operations is not significant.

The company also has transactional currency exposures. Such exposure arises from sales and purchases by an operating unit in currencies other than the unit's functional currency.

#### **DIRECTORS**

The directors who served the company during the year were as follows:

C Birks  
C Payne

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

None of the directors who served during the year had any interest in the share capital of the company or any group company which is required to be disclosed in accordance with the Companies Act 1985.

# **SOUTHERN STAR INTERNATIONAL LIMITED**

## **THE DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 30 JUNE 2006**

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### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

# SOUTHERN STAR INTERNATIONAL LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2006

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### AUDITOR

A resolution to re-appoint Hextall Meakin as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
47 Marylebone Lane  
London  
W1U 2NT

Signed on behalf of the directors

A handwritten signature in black ink, appearing to read 'Clare Birks', written in a cursive style.

C Birks  
Director

Approved by the directors on 23 January 2007

# **SOUTHERN STAR INTERNATIONAL LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOUTHERN STAR INTERNATIONAL LIMITED**

**YEAR ENDED 30 JUNE 2006**

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We have audited the financial statements of Southern Star International Limited for the year ended 30 June 2006 on pages 6 to 14, which have been prepared on the basis of the accounting policies set out on pages 8 to 9.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

# SOUTHERN STAR INTERNATIONAL LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOUTHERN STAR INTERNATIONAL LIMITED *(continued)*

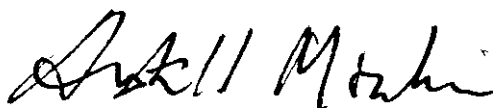
YEAR ENDED 30 JUNE 2006

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### OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Argon House  
Argon Mews  
Fulham Broadway  
London  
SW6 1BJ

HEXTALL MEAKIN  
Chartered Accountants  
& Registered Auditors

24/1/07

# SOUTHERN STAR INTERNATIONAL LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2006

	Note	Year to 30 Jun 06 £	Period from 1 Apr 04 to 30 Jun 05 £
<b>TURNOVER</b>	<b>2</b>	26,538,865	26,965,562
Cost of sales		23,042,160	23,388,556
<b>GROSS PROFIT</b>		3,496,705	3,577,006
Distribution Costs		214,767	308,441
Administrative expenses		1,320,031	1,635,584
Other operating income		(2,042)	(122,902)
<b>OPERATING PROFIT</b>	<b>3</b>	1,963,949	1,755,883
Interest receivable	<b>5</b>	76,774	30,789
Interest payable and similar charges	<b>6</b>	-	(1)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,040,723	1,786,671
Tax on profit on ordinary activities	<b>7</b>	366,556	267,813
<b>PROFIT FOR THE FINANCIAL YEAR</b>		1,674,167	1,518,858
Balance brought forward		1,436,560	(82,298)
Balance carried forward		3,110,727	1,436,560

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

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



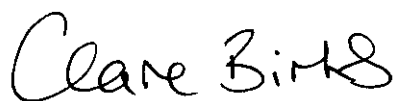
# SOUTHERN STAR INTERNATIONAL LIMITED

## BALANCE SHEET

30 JUNE 2006

	Note	2006 £	2005 £
<b>FIXED ASSETS</b>			
Intangible assets	8	48,599	57,001
<b>CURRENT ASSETS</b>			
Debtors	9	26,859,452	33,260,162
Cash at bank		1,406,171	1,022,491
		28,265,623	34,282,653
<b>CREDITORS: Amounts falling due within one year</b>	11	21,531,750	29,336,247
<b>NET CURRENT ASSETS</b>		6,733,873	4,946,406
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,782,472	5,003,407
<b>CREDITORS: Amounts falling due after more than one year</b>	12	340,975	236,077
		6,441,497	4,767,330
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	14	3,330,770	3,330,770
Profit and loss account		3,110,727	1,436,560
<b>SHAREHOLDERS' FUNDS</b>	15	6,441,497	4,767,330

These financial statements were approved by the directors on the 23 January 2007 and are signed on their behalf by:

  
C BIRKS

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

# **SOUTHERN STAR INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2006**

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### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

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

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

#### **Turnover**

Turnover represents gross licence fees and royalty income arising from the development and distribution of programmes to customers, net of sales related tax. Turnover is recognised when those programmes and films are available for delivery, the sales contract is fully executed, and the collectibility of the full licence fee is reasonably assured.

#### **Goodwill**

Intangible fixed assets - programme rights

Programme rights are stated at cost or valuation less amortisation.

Amortisation is provided at rates calculated to write off the cost of each programme right over its expected useful life, up to a maximum of twenty-five years. Income from programme rights does not arise evenly over the useful life and the amortisation charge each year is designed to match the expected proportion of income from each programme right in the year.

#### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### **Pension costs**

The company does not run its own pension scheme. As part of some employees' remuneration package the company makes contributions to Southern Star Entertainment UK PLC's pension scheme. Contributions are charged to the profit and loss account when paid.

# SOUTHERN STAR INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

### 1. ACCOUNTING POLICIES *(continued)*

#### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### 2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	Year to 30 Jun 06 £	Period from 1 Apr 04 to 30 Jun 05 £
United Kingdom	11,338,206	11,239,926
Overseas sales	15,200,659	15,725,636
	<u>26,538,865</u>	<u>26,965,562</u>

# SOUTHERN STAR INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2006

#### 3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Year to 30 Jun 06 £	Period from 1 Apr 04 to 30 Jun 05 £
Directors' emoluments	—	—
Amortisation	8,402	31,839
Auditor's remuneration - as auditor	3,490	6,250
Operating lease costs:		
Plant and equipment	39,822	—
Other	25,375	73,657
Net (profit)/loss on foreign currency translation	<u>(124,235)</u>	<u>78,575</u>

#### 4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	Year to 30 Jun 06 No	Period from 1 Apr 04 to 30 Jun 05 No
Number of distribution staff	4	2
Number of administrative staff	7	5
	<u>11</u>	<u>7</u>

The aggregate payroll costs of the above were:

	Year to 30 Jun 06 £	Period from 1 Apr 04 to 30 Jun 05 £
Wages and salaries	593,536	533,487
Social security costs	93,862	58,073
Other pension costs	18,473	21,182
	<u>705,871</u>	<u>612,742</u>

#### 5. INTEREST RECEIVABLE

	Year to 30 Jun 06 £	Period from 1 Apr 04 to 30 Jun 05 £
Bank interest receivable	<u>76,774</u>	<u>30,789</u>

# SOUTHERN STAR INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 30 JUNE 2006

#### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 30 Jun 06 £	Period from 1 Apr 04 to 30 Jun 05 £
Interest payable on bank borrowing	<u>—</u>	<u>1</u>

#### 7. TAXATION ON ORDINARY ACTIVITIES

	Year to 30 Jun 06 £	Period from 1 Apr 04 to 30 Jun 05 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30%	535,720	256,460
Over/under provision in prior year	(176,792)	1,731
Total current tax	<u>358,928</u>	<u>258,191</u>
Deferred tax:		
Origination and reversal of timing differences		
Losses	7,628	9,622
Tax on profit on ordinary activities	<u>366,556</u>	<u>267,813</u>

#### 8. INTANGIBLE FIXED ASSETS

	Programme rights £
<b>COST</b>	
At 1 July 2005 and 30 June 2006	<u>111,263</u>
<b>AMORTISATION</b>	
At 1 July 2005	54,262
Charge for the year	8,402
At 30 June 2006	<u>62,664</u>
<b>NET BOOK VALUE</b>	
At 30 June 2006	<u>48,599</u>
At 30 June 2005	<u>57,001</u>

# SOUTHERN STAR INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

### 9. DEBTORS

	2006 £	2005 £
Trade debtors	20,688,702	18,026,056
Amounts owed by group undertakings	5,126,905	13,726,557
Corporation tax repayable	—	140,179
Distribution Advances	1,040,178	1,325,731
Prepayments and accrued income	3,667	34,011
Deferred taxation (note 10)	—	7,628
	<u>26,859,452</u>	<u>33,260,162</u>

The debtors above include the following amounts falling due after more than one year:

	2006 £	2005 £
Trade debtors	1,060,060	829,812
Distribution Advances	893,925	—
	<u>1,953,985</u>	<u>829,812</u>

### 10. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows:

	Year to 30 Jun 06 £	Period from 1 Apr 04 to 30 Jun 05 £
Included in debtors (note 9)	—	<u>7,628</u>

The movement in the deferred taxation account during the year was:

	Year to 30 Jun 06 £	Period from 1 Apr 04 to 30 Jun 05 £
Balance brought forward	7,628	17,250
Profit and loss account movement arising during the year	(7,628)	(9,622)
Balance carried forward	<u>—</u>	<u>7,628</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2006 £	2005 £
Tax losses available	—	<u>7,628</u>
	<u>—</u>	<u>7,628</u>

# SOUTHERN STAR INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

### 11. CREDITORS: Amounts falling due within one year

	2006	2005
	£	£
Trade creditors	2,332	—
Amounts owed to group undertakings	11,194,757	17,258,606
Corporation tax	19,133	—
VAT	54,287	10,028
Other creditors	31,057	25,687
Accruals and deferred income	10,230,184	12,041,926
	<u>21,531,750</u>	<u>29,336,247</u>

### 12. CREDITORS: Amounts falling due after more than one year

	2006	2005
	£	£
Accruals and deferred income	<u>340,975</u>	<u>236,077</u>

### 13. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted under Paragraph 3 of Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with other group companies.

### 14. SHARE CAPITAL

#### Authorised share capital:

	2006	2005
	£	£
3,400,000 Ordinary shares of £1 each	<u>3,400,000</u>	<u>3,400,000</u>

#### Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>3,330,770</u>	<u>3,330,770</u>	<u>3,330,770</u>	<u>3,330,770</u>

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
Profit for the financial year	1,674,167	1,518,858
Opening shareholders' funds	<u>4,767,330</u>	<u>3,248,472</u>
Closing shareholders' funds	<u>6,441,497</u>	<u>4,767,330</u>

# **SOUTHERN STAR INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2006**

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### **16. ULTIMATE PARENT COMPANY**

The immediate parent company is Primetime Limited, a company registered in England and Wales.

The immediate parent company is Southern Star Entertainment UK PLC, a company registered in England and Wales. Copies of group financial statements are available from 47 Marylebone Lane, London, W1U 2NT.

The ultimate parent company is Southern Cross Broadcasting (Australia) Limited, a company registered in Australia. Copies of the group accounts of Southern Cross Broadcasting (Australia) Limited are available from 70 Park Street, South Melbourne, Victoria.