

COMPANY REGISTRATION NUMBER 1577754

SOUTHERN STAR INTERNATIONAL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2007

WEDNESDAY



LD4 *LUONVMV* 334
19/12/2007
COMPANIES HOUSE

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 2007

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SOUTHERN STAR INTERNATIONAL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2007

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 June 2007

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 £1,069,387. 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 2007

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)*

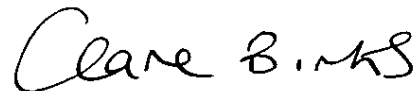
YEAR ENDED 30 JUNE 2007

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



C Birks
Director

Approved by the directors on 19 November 2007

SOUTHERN STAR INTERNATIONAL LIMITED

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

YEAR ENDED 30 JUNE 2007

We have audited the financial statements of Southern Star International Limited for the year ended 30 June 2007 on pages 6 to 13, 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

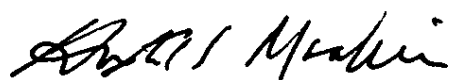
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOUTHERN STAR INTERNATIONAL LIMITED *(continued)*

YEAR ENDED 30 JUNE 2007

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 2007 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



HEXTALL MEAKIN
Chartered Accountants
& Registered Auditors

Argon House
Argon Mews
Fulham Broadway
London
SW6 1BJ

20/11/07

SOUTHERN STAR INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2007

	Note	2007 £	2006 £
TURNOVER	2	27,525,896	26,538,865
Cost of sales		23,585,841	23,042,160
GROSS PROFIT		3,940,055	3,496,705
Distribution Costs		183,457	214,767
Administrative expenses		2,002,235	1,320,031
Other operating income		(978)	(2,042)
OPERATING PROFIT	3	1,755,341	1,963,949
Interest receivable	5	56,426	76,774
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,811,767	2,040,723
Tax on profit on ordinary activities	6	742,380	366,556
PROFIT FOR THE FINANCIAL YEAR		1,069,387	1,674,167
Balance brought forward		3,110,727	1,436,560
Balance carried forward		4,180,114	3,110,727

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 page 6 form part of these financial statements

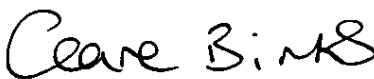
SOUTHERN STAR INTERNATIONAL LIMITED

BALANCE SHEET

30 JUNE 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Intangible assets	7	48,599	48,599
CURRENT ASSETS			
Debtors	8	29,172,143	26,859,452
Cash at bank		1,289,973	1,406,171
		30,462,116	28,265,623
CREDITORS: Amounts falling due within one year	9	22,612,829	21,531,750
NET CURRENT ASSETS		7,849,287	6,733,873
TOTAL ASSETS LESS CURRENT LIABILITIES		7,897,886	6,782,472
CREDITORS: Amounts falling due after more than one year	10	387,002	340,975
		7,510,884	6,441,497
CAPITAL AND RESERVES			
Called-up equity share capital	12	3,330,770	3,330,770
Profit and loss account		4,180,114	3,110,727
SHAREHOLDERS' FUNDS	13	7,510,884	6,441,497

These financial statements were approved by the directors on the 19.11.07 and are signed on their behalf by


C BIRKS

The notes on page 7 form part of these financial statements

SOUTHERN STAR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

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 2007

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

	2007	2006
	£	£
United Kingdom	15,365,834	11,338,206
Overseas sales	12,160,062	15,200,659
	<u>27,525,896</u>	<u>26,538,865</u>

SOUTHERN STAR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2007 £	2006 £
Directors' emoluments	—	—
Amortisation	—	8,402
Auditors' remuneration	5,900	3,490
Operating lease costs		
Plant and equipment	30,725	39,822
Other	20,605	25,375
Net loss/(profit) on foreign currency translation	<u>434,230</u>	<u>(124,235)</u>

The Auditors' remuneration is borne by Southern Star Entertainment UK Plc

4. PARTICULARS OF EMPLOYEES

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

	2007 No	2006 No
Number of distribution staff	4	4
Number of administrative staff	6	7
	<u>10</u>	<u>11</u>

The aggregate payroll costs of the above were

	2007 £	2006 £
Wages and salaries	718,819	593,536
Social security costs	89,586	93,862
Other pension costs	21,212	18,473
	<u>829,617</u>	<u>705,871</u>

5. INTEREST RECEIVABLE

	2007 £	2006 £
Bank interest receivable	<u>56,426</u>	<u>76,774</u>

SOUTHERN STAR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

6. TAXATION ON ORDINARY ACTIVITIES

	2007 £	2006 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	431,609	535,720
Over/under provision in prior year	310,771	(176,792)
Total current tax	742,380	358,928
Deferred tax		
Origination and reversal of timing differences		
Losses	-	7,628
Tax on profit on ordinary activities	742,380	366,556

7. INTANGIBLE FIXED ASSETS

	Programme rights £
COST	
At 1 July 2006 and 30 June 2007	111,263
AMORTISATION	
At 1 July 2006 and 30 June 2007	(62,664)
NET BOOK VALUE	
At 30 June 2007	48,599
At 30 June 2006	48,599

8. DEBTORS

	2007 £	2006 £
Trade debtors	19,736,375	20,688,702
Amounts owed by group undertakings	7,823,734	5,126,905
Corporation tax repayable	46,134	-
Distribution Advances	1,550,045	1,040,178
Other debtors	12,513	-
Prepayments and accrued income	3,342	3,667
	29,172,143	26,859,452

SOUTHERN STAR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

8. DEBTORS *(continued)*

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

	2007 £	2006 £
Trade debtors	–	1,060,060
Distribution Advances	716,328	893,925
	<u>716,328</u>	<u>1,953,985</u>

9. CREDITORS: Amounts falling due within one year

	2007 £	2006 £
Trade creditors	5,835	2,332
Amounts owed to group undertakings	13,647,597	11,194,757
Corporation tax	–	19,133
VAT	53,089	54,287
Other creditors	26,312	31,057
Accruals and deferred income	8,879,996	10,230,184
	<u>22,612,829</u>	<u>21,531,750</u>

10 CREDITORS: Amounts falling due after more than one year

	2007 £	2006 £
Accruals and deferred income	<u>387,002</u>	<u>340,975</u>

11 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

12. SHARE CAPITAL

Authorised share capital:

	2007 £	2006 £
3,400,000 Ordinary shares of £1 each	<u>3,400,000</u>	<u>3,400,000</u>

Allotted, called up and fully paid:

	2007		2006	
	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>

SOUTHERN STAR INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Profit for the financial year	1,069,387	1,674,167
Opening shareholders' funds	6,441,497	4,767,330
Closing shareholders' funds	<u>7,510,884</u>	<u>6,441,497</u>

14. ULTIMATE PARENT COMPANY

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