28 April 2008

Company Announcements Office
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir or Madam

Please find attached AUSTAR's Annual Report for 2007 and the Notice of Meeting for the Annual General Meeting (AGM) to be held on Thursday 29th May 2008.

Yours sincerely

Deanne Weir
Company Secretary

AUSTAR United Communications Limited Locked Bag A3940, Sydney South, NSW 1235
ABN 88 087 695 707

Notice of Meeting

FOR ANNUAL GENERAL MEETING 2008

Austar United Communications Limited
ABN 88 087 695 707

Notice is given of an Annual General Meeting of Austar United Communications Limited ACN 087 695 707 (the "**Company**") to be held at 10:00am Thursday, 29 May 2008 at the Heritage Ballroom, Westin Hotel, 1 Martin Place, Sydney NSW 2000.

Austar United Communications Limited

Notice of Meeting

for Annual General Meeting 2008

ORDINARY BUSINESS

ANNUAL FINANCIAL, DIRECTORS' AND AUDITOR'S REPORTS

1. TO RECEIVE AND CONSIDER the financial report and the reports of the Directors and auditor for the financial year ended 31 December 2007.
2. TO ADOPT the remuneration report for the year ended 31 December 2007.
   Note – the vote on this resolution is only advisory and does not bind the Directors or the Company.
3. TO ELECT DIRECTORS
   To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:
   a. *That Mr John W. Dick, who retires by rotation in accordance with Rule 8.1 of the Company's constitution, be re-elected as a Director of the Company.*
   b. *That Mr John C. Porter, who retires by rotation in accordance with Rule 8.1 of the Company's constitution, be re-elected as a Director of the Company.*
   c. *That Mr Roger Amos be elected as a Director of the Company in accordance with Rule 8.1 of the Company's constitution.*

   Mr Justin Gardener retires by rotation, and does not seek to be re-elected. We would like to thank Mr Gardener for his dedication and contribution during his 9 year term as a Director of AUSTAR. Mr Gardener was a champion of all of our shareholders and we wish him all the very best in his retirement.

   Separate resolutions will be considered in respect to each of the above Directors.

SPECIAL BUSINESS

4. TO APPROVE THE BUY-BACK OF UP TO $300 MILLION ORDINARY SHARES
   To consider, and if thought fit, pass the following ordinary resolution:

   That the Company authorise and approve:

   a. *the buy-back of up to $300 million of its issued ordinary shares by buy-back agreements under:*
      1. *an off-market tender buy-back; and/or*
      2. *on-market buy-backs; and*
   b. *the terms, and entry into, of the buy-back agreements to the extent that approval of such buy-back agreements is required under the Corporations Act 2001 (Cth),*

   as detailed in the explanatory notes which accompany this Annual Notice of General Meeting.
5. TO APPROVE THE RETURN OF UP TO $300 MILLION CAPITAL TO SHAREHOLDERS
   To consider, and if thought fit, pass the following ordinary resolution:

   That, in accordance with section 256C(1) of the Corporations Act 2001 (Cth), approval is given for the Company to reduce its share capital by up to $300 million by paying each holder of ordinary shares an amount that is proportional to the number of ordinary shares held on the record date as detailed in the explanatory notes which accompany this Notice of Annual General Meeting.

OTHER BUSINESS

To transact any other business that may be legally brought forward.

By Order of the Board

Deanne Weir
Company Secretary

Dated 7 April 2008

VOTING RIGHTS AND PROXIES

A member entitled to attend and vote at the meeting is entitled to appoint a person as the member's proxy to attend and vote at the meeting instead of the member. For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of shares if that person is registered as a holder of those shares 48 hours before the appointed time for holding the meeting. A proxy need not be a member of the Company.

A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. If the member appoints two proxies, neither proxy may vote on a show of hands.

The proxy form allows members to direct their proxies how to vote on each resolution at the meeting. The Company encourages members appointing a proxy to consider how they wish to direct the proxy to vote - that is, whether the member wishes the proxy to vote 'for' or 'against', or abstain from voting on, each resolution, or whether to leave the decision to the appointed proxy after discussion at the meeting.

The proxy form (and if the form is signed by the member's attorney, the authority under which it was signed, or a certified copy of the authority) must be received by the Company at Computershare Investor Services Pty Limited, either by post to GPO Box 242, Melbourne, VIC, 8060, by delivery to Level 3, 60 Carrington Street, Sydney, NSW, 2000, or by facsimile to (03) 9473 2118, not later than 48 hours prior to the appointed time of the meeting.

A proxy form accompanies this notice of meeting.

Explanatory Notes

for Annual General Meeting 2008

These notes explain the resolutions set out in the Notice of Meeting for the Company's 2008 Annual General Meeting and should be read in conjunction with the notice.

ITEM 1 – RECEIVE AND CONSIDER THE FINANCIAL AND OTHER REPORTS (ORDINARY RESOLUTION)

This item is self-explanatory. It is intended to provide an opportunity for shareholders to raise questions on the reports themselves and on the performance of the Company.

ITEM 2 – ADOPTION OF THE REMUNERATION REPORT (ORDINARY RESOLUTION)

The Company's Board is submitting its remuneration report for the year ended 31 December 2007 to shareholders for consideration and adoption by way of a non-binding resolution.

The remuneration report is set out on pages 20-24 of the 2007 Annual Report. A reasonable opportunity will be provided for discussion of the remuneration report at the meeting.

The Board unanimously recommends that shareholders vote in favour of Item 2.

ITEM 3 – ELECTION OF DIRECTORS (ORDINARY RESOLUTION)

MR JOHN W. DICK

Mr Dick retires by rotation in accordance with the Company's constitution and, being eligible, offers himself for re-election.

Biography

Age 70. Non-executive Director

Mr. Dick has been a non-executive Director of AUSTAR since 22 April 2002 and was appointed to the Audit and Risk Committee in March 2006. He has also been a Director and a member of the Audit Committee of Liberty Global since June 2005. Mr. Dick served as a Director of UGC from March 2003 to June 2005. Mr. Dick served as a director and non-executive chairman of Terracom Broadband, a Rwandan fibre optic company, and a director and non–executive chairman of Rwandatel, a telecommunications company in Rwanda, until the sale of each of those companies in 2007. In the past, he has served as a director and executive officer of various development companies.

Mr. Dick holds a B.A. from Wheaton College, Illinois and an LL.B from the University of Toronto.

Mr. Dick held no other Australian listed company directorships during the past three financial years.

Each Director, other than Mr John Dick, recommends that shareholders vote 'for' the resolution to re-elect him as a Director.

MR JOHN C. PORTER

Biography

Age 50. Executive Director and Chief Executive Officer

Mr. Porter has been Executive Director and Chief Executive Officer of Austar United Communications Limited since 23 June 1999. Mr. Porter was Managing Director of Austar Entertainment Pty Limited from July 1997 to December 1999. From January 1997 to August 1999, he also served as the Chief Operating Officer of United Asia Pacific, Inc. ("UAP"). Mr. Porter led the establishment of Austar Entertainment Pty Limited in 1995, and by doing so played an integral role in the development of Australia's subscription television industry. Prior to joining AUSTAR, Mr. Porter spent ten years in various senior management roles for Time Warner Cable, a subsidiary of Time Warner, Inc. Mr. Porter has more than 25 years of management experience in the US and Australian subscription television industries.

Mr. Porter serves as the president on the Board of the Australian Subscription Television and Radio Association, and a director of Multi Channel Network, a position he has held since March 2000. Mr. Porter was also a director of TVN Corporation Limited (formerly TVSN Limited), from October 2000 to November 2006.

Each Director, other than Mr John Porter, recommends that shareholders vote 'for' the resolution to re-elect him as a Director.

MR ROGER AMOS

Biography

Age 59. Non-executive Independent Director

Mr Amos is the Chairman of Proteome Systems Limited and a director and audit committee chairman of realestate.com.au Limited and Espreon Limited, all of which are publicly listed Australian companies. He also holds a non-executive role as Asia Pacific chairman for Management Consulting Group PLC. Mr Amos' prior roles include deputy chairman and audit comittee chairman of the Film Finance Corporation Australia Limited.

Previously, Mr Amos was a partner for 25 years in the Assurance and Risk Advisory Service Division of KPMG, where he focused on the Information, Communications and Entertainment Industry (ICE). He held various senior roles in the KPMG Global ICE practice including Chairman of the Global Communications Industry Group. Mr Amos has extensive experience in the television broadcast and production industry where he has been involved with a range of leading listed and unlisted companies. Mr Amos is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Each Director, other than Mr Roger Amos, recommends that shareholders vote 'for' the resolution to appoint him as a Director.

ITEMS 4 AND 5 – APPROVAL OF BUY-BACK PROGRAM AND RETURN OF CAPITAL OF UP TO $300 MILLION (ORDINARY RESOLUTIONS)

1 OVERVIEW

The Company's continuing goal is to manage its capital so as to achieve the most efficient capital structure and optimise returns to shareholders.

The Company obtained shareholder approval to buy-back ordinary shares and to reduce its capital by up to $300 million in aggregate on 31 May 2007 at its 2007 Annual General Meeting. In October of 2007 the Company undertook a $300 million capital return, which returned 23.68 cents per ordinary share to shareholders. The Company is now seeking to obtain further approvals at this year's Annual General Meeting so that it has the flexibility to undertake a similar program in the 2008-2009 timeframe, should market conditions support this. The Company believes that such flexibility will support its goals of achieving the most efficient capital structure possible, and optimising returns to shareholders.

As at 31 December 2007, the Company had $75 million of funds undrawn on its $850 million Senior Debt Facility (the availability of which is subject to interest cover and leverage covenants) and may have the ability to secure additional funding. Having regard to available funding, projected cash flows and capital requirements over the next 12 months, the Board has determined that the Company may have capacity to return up to an additional $300 million to shareholders. The Company may decide to return some or all of this capital either by buying back ordinary shares or by paying each ordinary shareholder a capital amount (without buying back or cancelling shares) or a combination of both.

Accordingly:

- In Resolution 4 (the **buy-back resolution**), the Company is seeking shareholder approval to buy-back ordinary shares off-market through a tender process, and also to buy-back shares on-market (the **buy-back program**).

  If shareholders approve the buy-back resolution, the Company will be permitted to buy-back a maximum of $300 million of its ordinary shares either off-market or on-market over the next 12 months (less any amount returned to shareholders in accordance with the capital return resolution discussed below). If $300 million of shares were bought back at $1.50 per share (200 million shares), this would represent about 15.1% of the ordinary shares in the Company (based on the 1,320.5 million total issued ordinary shares of the Company as at 4 April 2008).

  United Austar Partners (**UAP**) and United AUN, LLC (**United AUN**), which are both indirectly wholly-owned by Liberty Global, Inc. have not yet decided whether, or to what extent, they will participate in any buy-back. If UAP and United AUN do not participate, depending on the number of shares bought back, UAP's and United AUN's voting power in the Company will increase, assuming they retain their current shareholding. More information about the impact of any buy-back on UAP's and United AUN's voting power is set out in section 9 below.

- In Resolution 5 (the **capital return resolution**), the Company is seeking shareholder approval to return capital to shareholders by way of an equal capital reduction.

  If shareholders approve the capital return resolution, the Company will be permitted to return a maximum of $300 million to holders of ordinary shares (less any amount returned to shareholders under the buy-back program). If the Directors decide to implement a capital return, each shareholder will receive an amount proportional to the number of ordinary shares held.

Any capital return will involve a reduction of the capital attributable to each ordinary share. No shares will be cancelled.

As the capital return will not involve a purchase or cancellation of shares it will not affect UAP's or United AUN's voting power in the Company.

Although the Company is seeking approval to buy-back ordinary shares (under a buy-back program) and to reduce its capital by up to $300 million in aggregate, the Company has not made any decision at this stage whether it will buy-back any shares, or return any capital, at all. It will only buy-back shares or return capital if the Board determines a buy-back or capital return is appropriate having regard to available funding and the then prevailing market and business conditions. In any event, the Company will **not** pay more than a total amount of $300 million over the 12 months after the Annual General Meeting, whether under the buy-back program, or as a capital return (or under a combination of both options).

These explanatory notes set out information that is material to AUSTAR shareholders' decision on how to vote on the buy-back and capital return resolutions, including:

- reasons for the buy-back program and capital return;
- terms applicable to the buy-back program and capital return;
- financial implications of the buy-back program and capital return on the Company;
- possible disadvantages of the buy-back program and capital return; and
- effect of the buy-back program and capital return on UAP's and United AUN's voting power in the Company.

2 REASON FOR THE RESOLUTIONS

The purpose of the buy-back resolution is to seek shareholder approval of the buy-back program. Under the Corporations Act 2001 (Cth) (**Corporations Act**), the Company must obtain the approval of its shareholders in order to buy-back more than 10% of the smallest number of voting shares that the Company had on issue during the 12 months preceding the buy-back.

The purpose of the capital return resolution is to seek shareholder approval of the capital return as an equal reduction of capital. An equal reduction of capital is a reduction of capital that applies to ordinary shares only, and on an equal basis for each ordinary share. Under the Corporations Act, the Company must obtain the approval of its shareholders by ordinary resolution to conduct an equal reduction of capital.

The buy-back and capital return resolutions are designed to give the Board flexibility in deciding on the most appropriate method to return surplus capital to shareholders, having regard to the Company's circumstances and its ongoing capital management program.

The buy-back and capital return resolutions will each be approved if more than 50% of votes cast at the Annual General Meeting on the relevant resolutions are in favour of them.

Given the potential effect of any buy-back program on UAP's and United AUN's voting power in the Company, UAP and United AUN will not vote on the buy-back resolution. However, as the capital return resolution will not affect UAP's or United AUN's voting power, they will vote on the capital return resolution, and have indicated that they intend to vote in favour of the resolution.

3 REASONS FOR THE BUY-BACK AND CAPITAL RETURN

The Board considers that, having regard to available funding, projected cash flows and capital requirements over the 12 months after the Annual General Meeting, the Company may have capacity to return up to $300 million to shareholders (in addition to the $300 million returned on 1 November 2007).

The Board considers that both buy-backs and capital returns by way of reduction of capital are an effective means of returning any surplus capital to shareholders and will enable the Company to maintain an efficient capital structure. Implications of the buy-back program and capital return for the Company's financial position are set out in section 8 below.

The Company may return this capital either by buying back ordinary shares or by paying each ordinary shareholder a capital amount per share (without buying or cancelling shares).

The Board considers that giving the Company the ability to conduct buy-backs either off-market using a tender process, or on-market, or to return capital without buying or cancelling shares gives the Company the flexibility to choose the most advantageous method of returning surplus capital to shareholders having regard to the prevailing market and business conditions at the time. The advantages of the off-market tender process and on-market buy-backs are set out in more detail in sections 5 and 6 below. The advantages of a capital return by way of reduction of capital are set out in more detail in section 7 below.

The maximum amount of capital that will be returned is $300 million. At this stage, the Company has not yet decided whether it will buy-back any shares, or return any capital, at all. Accordingly, the Board considers that, in the current circumstances, it is in the best interests of shareholders that the Company has the flexibility to return capital to shareholders under the buy-back program and the capital return. The Company's decision as to the way in which capital will be returned, if any, will be influenced by availability of funds and the prevailing market and business conditions.

4 DIRECTORS' RECOMMENDATION

The Directors recommend that shareholders vote in favour of the capital return resolution. The Directors (other than Michael T. Fries, Gene W. Schneider, John W. Dick and Shane O'Neill who have abstained from voting because of UAP's and United AUN's interest in the resolution) also recommend that shareholders vote in favour of the buy-back resolution.

However, in deciding how to vote, shareholders should be aware that, among other things, if the buy-backs are undertaken:

- UAP's and United AUN's voting power in the Company may increase;
- there will be a reduction in the number of ordinary shares on issue, which may decrease liquidity on the ASX;
- the Company's weighting in S&P/ASX indices may decrease and the Company could be excluded from S&P/ASX indices;
- borrowings and borrowing expenses will increase; and
- earnings per share may decrease.

Similarly, if the capital return is undertaken as a reduction of capital:

- the Company's weighting in S&P/ASX indices may decrease and the Company could be excluded from S&P/ASX indices;
- borrowings and borrowing expenses will increase; and
- earnings per share is expected to decrease.

Directors' interests in AUSTAR shares are set out in section 10 below.

5 OUTLINE OF THE OFF-MARKET BUY-BACK

Overview of the tender process

Any off-market buy-back will be conducted using a tender process. This involves the Company inviting each shareholder who is eligible to participate, to tender to sell ordinary shares to the Company on terms which would be set out in the relevant buy-back booklet.

The Company may invite eligible shareholders to tender ordinary shares either:

- at specified prices per share within a tender range. The Board will specify these prices at the time it decides to proceed with the buy-back. The lowest price in the range may be a small discount and the highest price in the range a premium to the prevailing market price at the time the buy-back is undertaken; or
- subject to compliance with US tender offer requirements, at specified discounts or premiums within a tender range to the prevailing share price over the last week of the tender period. The Company may set a maximum share price above which it will not buy-back shares.

Each eligible shareholder may submit a tender if they wish to sell some or all of their ordinary shares.

The tender must specify:

- the number of shares the shareholder offers to sell, which may be up to 100% of their holding as at the record date; and
- either:
  - if the Company decides to set prices for tenders – the nominated prices within the specified buy-back range; or
  - if the Company decides to set the tender range by reference to the prevailing share price over the last week of the tender period – a price determined by reference to nominated discounts or premiums within the specified buy-back range.

Alternatively, shareholders wishing to increase the likelihood that they will participate in the buy-back may submit a **final price tender**. A final price tender is a tender in which the shareholder elects to receive the buy-back price whatever it is determined to be under the tender process.

Shares that are tendered above the buy-back price will not be bought back. Shares tendered at or below the buy-back price or as a final price tender will be bought back subject to the scale-back mechanism outlined below.

Explanatory Notes CONTINUED

After the close of the tender period, the Company will determine the lowest price in the tender range at which the Company will be able to buy-back the amount of capital it determines to buy-back (**buy-back price**). All shareholders submitting successful tenders will be paid the same price for shares bought back (even if they tendered shares below the buy-back price).

The Company's shareholders will be advised by public announcement to the ASX, of the buy-back price, the total number of shares to be bought back and the extent of any scale-back, after the close of the buy-back period.

If the Company accepts the tender, then a buy-back agreement will be formed on those terms.

Who may participate?

Subject to certain exceptions (as set out below), the Company will invite all holders of ordinary shares on its register on the record date to determine entitlements to participate in the buy-back to make an offer to have ordinary shares bought back by the Company under the buy-back.

Ordinary shareholders resident in Australia, New Zealand and the United States of America will be eligible to participate. Shareholders in certain other foreign countries will not be eligible to participate unless they can demonstrate to the Company's satisfaction before the end of the tender period that they can lawfully participate in the off-market buy-back either unconditionally or after compliance with such conditions as the Company in its absolute discretion regards as acceptable and not unduly onerous.

While eligible to participate, the Board has determined that Directors and those members of the Company's senior management team who hold ordinary shares but are involved in managing the buy-back process will not participate in the buy-back tender.

Participation in any buy-back tender is voluntary. Shareholders do not have to sell their ordinary shares if they do not want to.

Number of shares to be bought back

The maximum value of ordinary shares that the Company will buy-back using the tender process or on-market buy-backs (or both) will be $300 million.

This represents a maximum value of ordinary shares that may be bought back rather than the value that will definitely be bought back. The value of ordinary shares actually bought back will depend on a range of factors including the price level of tenders received and an assessment of the value to the Company in buying back shares at the tendered price. The Company may in its absolute discretion determine not to proceed with the buy-back or, if it elects to proceed, amend or terminate the buy-back at any time prior to the date on which the Company enters into any buy-back agreements, by making an announcement to that effect to the ASX.

Share price information

The closing price of the Company's ordinary shares on the ASX on 4 April 2008 was $1.43. The Company's highest and lowest market sale prices and the average monthly closing prices on the ASX during each of the preceding six months were as follows:

Period	Low ($)[1]	High ($)[1]	Average closing price ($)[2]
November 2007	1.47	1.67	1.54
December 2007	1.53	1.67	1.59
January 2008	1.34	1.65	1.57
February 2008	1.41	1.64	1.55
March 2008	1.17	1.42	1.30
April 2008[3]	1.29	1.48	1.40

Source: CommSec

Notes:

1. Based on trading of ordinary shares during normal ASX trading hours, generally from around 10.00am to 4.00pm.
2. Calculated as the average of the closing prices of the Company's ordinary shares on the ASX for each trading day over the relevant month.
3. Prices for April are taken up to and including 4 April 2008.

The market price and the buy-back price of ordinary shares at the time of any buy-back may be significantly lower or higher than the Company's historical share price and this will affect the maximum number of shares that can be bought back.

Scale-back mechanism

If the total number of ordinary shares tendered at or below the buy-back price (including final price tenders) is more than the Company wishes to buy-back, then to the extent consistent with US tender offer requirements, a scale-back mechanism may be applied as follows:

- if the buy-back price is above the lowest price in the tender range then:
  - tenders of shares below the buy-back price, and final price tenders will be bought back in full; and
  - tenders of shares at the buy-back price will be scaled back as follows:
    - eligible shareholders who have submitted tenders in respect of 100% of their ordinary shares at or below the buy-back price and who would have a small shareholding (that is, around $2,000 worth of ordinary shares or less as set out in the buy-back booklet) at the end of the buy-back as a result of the scale-back, will have all of their shares bought back; and
    - the number of shares that will be bought back from each other eligible shareholder who tenders shares at the buy-back price will be scaled back on a pro rata basis; and
- if the buy-back price is the lowest price in the tender range, then all tenders at the buy-back price (including final price tenders) will be scaled back on a pro rata basis except that those eligible shareholders who have submitted tenders in respect of 100% of their ordinary shares as final price tenders and/or at the buy-back price, and who would have a small shareholding (that is, around $2,000 worth of ordinary shares or less as set out in the buy-back booklet) as at the end of the buy-back as a result of the scale-back, will have all of their shares bought back.

Priority allocation

Subject to compliance with US tender offer requirements, the Company may also adopt a priority allocation, so that a specified number of ordinary shares (equating to a total value of around $5,000 as set out in the buy-back booklet) will be bought back before the scale-back is applied.

Advantages of buy-back tender process

The Board considers the benefits of conducting the off-market buy-back by way of a tender process are as follows:

- all eligible shareholders have an equal opportunity to participate, and can choose whether and to what extent they participate;
- the tender process allows shareholders to tender their shares at prices that they choose within the tender range which means that shareholders effectively determine the buy-back price for a given number of shares to be bought back;
- the tender process should allow the Company to buy-back a greater number of shares within a shorter period than under an on-market buy-back;
- the tender process may enable the Company to repurchase shares at a lower average cost than a fixed price buy-back or an on-market buy-back;
- compared with a fixed price buy-back, the tender process reduces the risk of setting a buy-back price that is too low and the buy-back being unsuccessful through a low take-up;
- the tender process should enable shareholders to sell a large volume of shares without depressing the market price of ordinary shares; and
- shareholders should not have to pay brokerage or appoint a stockbroker to sell their shares in the buy-back.

ASIC exemption

In order to proceed with a buy-back tender, in addition to shareholder approval, the Company will require an ASIC exemption.

The buy-back does not technically comply with the requirements under the Corporations Act for an equal access buy-back. Accordingly, it would be treated as a selective buy-back for the purposes of the Corporations Act, and, rather than requiring approval by ordinary resolution of shareholders, it would require approval by a special resolution on which no votes are cast by persons whose shares are proposed to be bought back or their associates.

Before proceeding with a buy-back tender, the Company will apply for an exemption to permit the Company to:

- conduct the buy-back similarly to the conduct of an equal access scheme;
- use the scale-back mechanism described above;
- invite all shareholders to offer for sale any number of their shares to the Company rather than the Company offering to buy-back such shares; and

- rely on the approval of the buy-back by an ordinary resolution of its shareholders (on the same basis as would be required for an equal access buy-back in excess of the 10/12 limit).

Class Ruling

As well as an ASIC exemption, the Company may obtain a Class Ruling confirming the tax position outlined in section 10 below before proceeding with the buy-back tender.

ASX waiver

Before proceeding with any buy-back, the Company will apply for a waiver from the ASX of ASX Listing Rule 10.1 (which requires listed companies to obtain shareholder approval to dispose of substantial assets to related parties) so that it does not apply to the buy-back of shares from UAP or United AUN on the basis that UAP and United AUN will be participating on the same terms as all other ordinary shareholders.

US tender offer requirements

The Company may be required to modify some elements of the characteristics of the off-market buy-back from those described above to comply with applicable requirements of US tender offer requirements.

6 OUTLINE OF ON-MARKET BUY-BACKS

Overview of process

An on-market buy-back involves the Company buying shares in the ordinary course of trading at the prevailing market price on the ASX, in the same way as any other market transaction.

The implementation of an on-market buy-back is regulated by both ASIC and the ASX. In particular, the ASX Listing Rules prescribe that the buy-back price must not be more than 5% above the average of the closing market prices for ordinary shares in the Company over the previous 5 trading days before the buy-back. Historical share price information is provided above in section 5.

The Company must announce on the ASX the period during which shares may be bought back (if the Company has determined this), the maximum number of shares intended to be bought back and any other information that would affect a shareholder's decision to sell shares. The Company also has to give daily notices containing details of the shares bought back.

Who may participate?

All holders of ordinary shares are eligible to participate by selling their shares to the Company on the ASX.

Participation in any buy-back is voluntary. Shareholders do not have to sell their ordinary shares if they do not want to. Shareholders will not, however, have the right to withdraw sales once made.

Number of shares to be bought back

The maximum value of ordinary shares that the Company will buy-back on-market and/or under the tender process will be $300 million.

Since an on-market buy-back involves shares being acquired at the market price of shares at that time, it is not possible to anticipate the number or percentage of shares that may actually be bought back and cancelled. This will depend on a range of factors and in any case the Company reserves the right not to buy-back any shares at all.

Advantages

The advantages of an on-market buy-back include the following:

- purchases on-market can be tailored to changing market conditions;
- the Company has complete flexibility to adjust the volume of shares bought and can stop buying at any time; and
- implementation of an on-market buy-back is very simple and involves few costs.

7 OUTLINE OF THE CAPITAL RETURN

Terms of return

Any proposed capital return will be an equal reduction of the Company's capital. This will involve the Company paying each holder of ordinary shares an amount determined by the Board proportional to the number of ordinary shares held on the record date that the Board sets for participation in the capital return. Therefore, if the maximum of $300 million is returned to shareholders, each participating shareholder will receive a payment of about 23 cents for each ordinary share that they hold on the record date (based on the 1,320.5 million total issued ordinary shares of the Company as at 4 April 2008).

The capital return will involve a payment which reduces the capital attributable to each share. No shares will be cancelled.

The approval in the capital return resolution allows the Company to make one or more capital returns, with such amounts in aggregate to be no more than $300 million.

The implementation of a capital return is regulated by both ASIC and the ASX. The Company must announce on the ASX the record date for participation in the capital return.

Advantages

The advantages of a capital return by way of reduction of capital include the following:

- The amount of capital that the Company returns to shareholders can be fixed and does not depend on the number of shares that shareholders wish to sell back to the Company;
- the capital return does not involve a cancellation of shares and therefore does not affect the Company's free float as a percentage of issued shares or voting power in the Company; and
- implementation of the capital return is very simple and involves few costs.

ASX waiver

Before proceeding with any capital return, the Company will apply for a waiver from the ASX of ASX Listing Rule 10.1 (which requires listed companies to obtain shareholder approval to dispose substantial assets to related parties) so that it does not apply to the return of capital to UAP or United AUN on the basis that UAP and United AUN will be participating on the same terms as all other ordinary shareholders.

Class Ruling

The Company may obtain a Class Ruling confirming the tax position outlined in section 10 below before proceeding with the capital return.

8 FINANCIAL IMPLICATIONS OF THE BUY–BACK PROGRAM AND CAPITAL RETURN ON THE COMPANY

Outlook for the Company

In 2008, the Company intends to continue driving penetration growth in its core TV business through the launch of MyStar, the Company's personal digital recorder, which will allow customers to record programs, pause and rewind live television, and to access digital free-to-air television. Containment of costs will also continue to be a key focus to ensure operating leverage is demonstrated in the business.

In addition to the launch of MyStar, the Company plans to drive penetration of subscription television in regional Australia with effective marketing campaigns, investment in a mix of locally and internationally produced content, expanded tier options, multi-room packages (additional outlets), and more pay-per-view programming. Strategic reviews currently underway are exploring opportunities to expand the Company's product offerings outside subscription television. The Company considers that AUSTAR will be in a position to monetise its spectrum holdings at some point in the future. While a new Government was elected in 2007, we don't foresee any major impact resulting from upcoming regulatory reform. The takeup of digital television will be increasingly encouraged, as the date for analogue switch-off has been set for 2013. However we don't expect that regulatory change related to the switch-off would negatively impact the Company's outlook, and in fact there may be opportunities to explore.

Explanatory Notes CONTINUED

for Annual General Meeting 2008

How the buy-back program and capital return will be funded

At 31 December 2007, the Company had $75 million of funds undrawn on its $850 million Senior Debt Facility (the availability of which is subject to interest cover and leverage covenants) and may have the ability to secure additional funding. The extent of any purchases under any buy-back program and capital return, will reflect, among other things, the level of funding available to the Company under its Senior Debt Facility and other potential funding facilities. Further, the size and timing of any buy-back program or return of capital will impact financial covenants under its $850 million Senior Debt Facility.

The actual amount of the buy-back program and capital return to be funded will not be determined until the completion of any buy-back program or capital return. However, the Company may draw down on its $850 million Senior Debt Facility. To the extent additional funds are required to fund any buy-back of shares or capital return and the Company is successful in securing additional funding facilities, the Company may draw on such new funding.

Impact on financial position

The pro-forma consolidated balance sheet extract as at 31 December 2007 set out below reflects the impact of the buy-back program and capital return based on illustrative amounts of $150 million and $300 million.

For the purpose of showing the impact of the buy-back program and capital return on the Company's financial position as at 31 December 2007, the pro-forma has been prepared on the assumption that the capital management program was completed on 31 December 2007. These statements have been prepared numerically (but not in relation to format or disclosure) in accordance with Australian equivalents to IFRS.

Pro-forma consolidated balance sheet extract as at 31 December 2007

		$150 MILLION		$300 MILLION	
(A$ million)	31 Dec 07	Adjustments	Pro-forma	Adjustments	Pro-forma
Cash and cash equivalents	31	(1)	30	(3)	28
Interest bearing loans and borrowings[1]	(763)	(149)	(912)	(297)	(1,060)
Net debt	(732)	**(150)**	**(882)**	**(300)**	**(1,032)**
Issued capital and reserves	601	(150)	451	(300)	301
Accumulated losses	(869)	–	(869)	–	(869)
Total (deficiency)/equity	(268)	**(150)**	**(418)**	**(300)**	**(568)**
Net debt EBITDA[2,3]	4.2×		5.1×		5.9×

Notes:

1. Assumes any buy-back program and capital return is funded with interest bearing loans and borrowings. Adjustments to interest bearing loans and borrowings are shown net of estimated new facility fees.
2. Based on EBITDA for FY2007 of $174.1 million (EBITDA excluding stock based compensation expenses, foreign exchange gain/loss, share of associates and significant items).
3. Pro-forma ratios do not take into account the impact of potential increases in EBITDA during FY2008. Any decision to proceed with the share buy-back or capital return will not be made without first calculating their impact on Total debt/EBITDA and the Company's ability to comply with financial covenants in the terms of its $850 million Senior Debt Facility and any new funding facilities.

Impact on interest cover

The table below shows the impact of the buy-back program and capital return on interest coverage ratios based on illustrative amounts of $150 million and $300 million. The pro-forma amounts are based on estimated FY2007 full year total interest expense assuming that the capital management program had been completed immediately prior to the commencement of the FY2007 year and the capital management program was funded by the Company's senior debt facilities.

		$150 MILLION	$300 MILLION
(A$ million)	31 Dec 07	Pro-forma	Pro-forma
EBITDA Interest Cover[1]	3.9×	3.0×	2.4×

Notes:

1. Calculated as EBITDA for FY2007 of $174.1 million (EBITDA excluding stock based compensation expenses, foreign exchange gain/loss, share of associates and significant items) divided by total interest expense for FY2007. Total interest expense excludes amortisation of capitalised borrowing costs.

Impact on franking account

The buy-back program and capital return are not expected to result in any reduction in the Company's franking account.

Impact on earnings per share

The precise impact on earnings per share of any buy-back program and capital return cannot be determined until it is completed and will depend on the amount and timing of the capital returned to shareholders, the number and timing of any shares bought back, the volume-weighted average buy-back price and applicable interest rates on the Company's borrowings used to fund the buy-back program and capital return.

Impact on ordinary shares on issue and ASX free float

After the vesting and conversion of B Class shares to 54,025,795 ordinary shares, as at 1 April 2008, the Company had 1,320.5 million ordinary shares on issue. On 1 April 2008, AUSTAR was informed that 12.2 million of these new ordinary shares will be sold to UAP. Completion of the sale agreements is conditional upon formal approval of the Foreign Investment Review Board. As a result of these conditional sale agreements, UAP and United AUN, both of which are indirectly wholly-owned by Liberty Global, Inc., between them currently have voting power in 52.14% of the total ordinary shares on issue (on an undiluted basis). The remaining 47.86% represents the Company's ASX free float.

As shown in the table below, the number of shares bought back, and therefore the percentage of total issued ordinary shares bought back, will depend on the size of any buy-back program and the volume-weighted average buy-back price. The percentage of any reduction of the ASX free float will depend on these factors and also whether UAP and United AUN choose to participate in any buy-back program. The table shows the relevant percentages assuming buy-back programs with a total size of $150 million and $300 million (although, the size of the program (if any) may be different, but will not exceed $300 million).

If the Company buys back $300 million of ordinary shares through the buy-back program, the buy-back would reduce the Company's total issued shares by 15.1% (assuming a volume-weighted average buy-back price of $1.50). If UAP and United AUN do not participate in the buy-back program then 31.6% of the ASX free float would be bought back and the free float would then represent 38.6% of total ordinary shares on issue following the buy-back. The table below illustrates the effect of the buy-back programs at other buy-back prices. However, if UAP and United AUN participate then the ASX free float will be reduced by a lesser percentage, depending on the number of shares UAP and United AUN sell. UAP and United AUN have not yet indicated whether they intend to participate in any buy-back program.

The volume-weighted average buy-back price under the buy-back program may be significantly lower or higher, depending on the prevailing market price and any buy-back premium or discount. Further, the $1.50 buy-back price and the other prices in the table are used for illustrative purposes only and do not provide an indication of the buy-back tender range to be set under any off-market buy-back tender.

Effect of buy-back on ordinary shares on issue and ASX free float if UAP and United AUN do not participate

	$150 MILLION OF SHARES BOUGHT BACK				$300 MILLION OF SHARES BOUGHT BACK			
Volume weighted average buy-back price ($)	Number of shares bought back (million)	Percentage of total issued shares bought back[1]	Percentage of ASX free float bought back[2,3]	Post buy-back ASX free float as percentage of total issued shares[2]	Number of shares bought back (million)	Percentage of total issued shares bought back[1]	Percentage of ASX free float bought back[2,3]	Post buy-back ASX free float as percentage of total issued shares[2]
1.70	88	6.7%	14.0%	44.1%	176	13.4%	27.9%	39.8%
1.60	94	7.1%	14.8%	43.9%	188	14.2%	29.7%	39.2%
1.50	100	7.6%	15.8%	43.6%	200	15.1%	31.6%	38.6%
1.40	107	8.1%	17.0%	43.3%	214	16.2%	33.9%	37.8%
1.30	115	8.7%	18.3%	42.9%	231	17.5%	36.5%	36.8%
1.20	125	9.5%	19.8%	42.4%	250	18.9%	39.6%	35.7%
1.10	136	10.3%	21.6%	41.9%	273	20.7%	43.2%	34.3%
1.00	150	11.4%	23.7%	41.2%	300	22.7%	47.5%	32.5%

Notes:

1. Based on 1,320.5 million total issued ordinary shares as at 4 April 2008.
2. Assuming UAP and United AUN do not sell any shares under the buy-back program.
3. Based on an ASX free float of 632.0 million shares as at 4 April 2008 (assuming completion of the proposed acquisition by UAP of an additional 12.2 million shares under conditional sale agreements entered into on 1 April 2008).

A capital return by way of reduction of capital will not involve the cancellation of shares and therefore will not affect the Company's free float as a percentage of issued shares.

Impact on liquidity

A buy-back may decrease the Company's ASX free float and may reduce ASX trading volumes and liquidity in the Company's ordinary shares. However, it is not possible to determine the extent of any potential decrease in liquidity at this time.

Impact on inclusion of the Company in S&P/ASX indices

Eligibility for inclusion in S&P/ASX indices is at the discretion of the Standard & Poor's Australian Index Committee and is based on criteria which include (amongst other criteria):

- the size of a company's free-float market capitalisation;
- a stock's liquidity relative to the liquidity of peers of a similar size; and
- a minimum free float of 30% of total issued ordinary shares.

A company's weighting in S&P/ASX indices is generally based on the size of the company's free float relative to the weightings assigned to other companies included in an index. Stocks may also be down weighted in an index if their relative liquidity is significantly lower than companies in the index with free float capitalisation of a similar size.

Any buy-back program and capital return may reduce the Company's free float market capitalisation. Further, any buy-back program may decrease liquidity and the size of the ASX free float as a percentage of total issued shares.

Any buy-back program or capital return may therefore decrease the Company's weighting within S&P/ASX indices and could result in the exclusion of the Company from S&P/ASX indices.

9 EFFECT ON CONTROL OF THE COMPANY

As a result of the vesting and conversion of B Class shares to 54,025,795 ordinary shares on 1 April 2008, and the entry into conditional sale agreements on 1 April 2008 for the purchase of 12.2 million ordinary shares which were formerly B Class Shares, Liberty Global, Inc. through its indirect ownership of UAP and United AUN, currently has a relevant interest in 52.14% of the Company's ordinary shares. UAP and United AUN have not yet indicated whether they intend to sell shares into the buy-back program. If they do not sell any shares and the target $300 million of ordinary shares is bought back, UAP's and United AUN's combined voting power in the Company will increase to 61.4% (assuming a volume-weighted average buy-back price of $1.50).

The table below sets out the possible effect of any buy-back on UAP and United AUN, if they do not sell any shares and either $150 million or $300 million worth of shares bought back. The number of shares bought back and UAP's and United AUN's resulting voting power may vary depending on the volume-weighted average buy-back price.

The volume-weighted average buy-back price under the buy-back program may be significantly lower or higher, depending on the prevailing market price and any buy-back premium or discount. Further, the prices in the table are used for illustrative purposes only and do not provide an indication of the buy-back tender range to be set under any off-market buy-back tender.

UAP's and United AUN's combined percentage voting power if they do not sell any shares

Volume-weighted average buy-back price ($)	Following completion of a $150m buy-back[1,2]	Following completion of a $300m buy-back[1,2]
1.70	55.9%	60.2%
1.60	56.1%	60.8%
1.50	56.4%	61.4%
1.40	56.7%	62.2%
1.30	57.1%	63.2%
1.20	57.6%	64.3%
1.10	58.1%	65.7%
1.00	58.8%	67.5%

Notes:

1. Based on 1,320.5 million total issued ordinary shares as at 4 April 2008.
2. Based on UAP's and United AUN's combined voting power of 688.5 million shares as at 4 April 2008.

Since UAP and United AUN have not decided whether or not to participate in any buy-back, and having regard to the potential for a buy-back to increase its voting power, UAP and United AUN will not vote on the buy-back resolution at the Annual General Meeting.

Any capital return by way of reduction of capital will not involve the cancellation of shares and therefore will not affect UAP's or United AUN's voting power in the Company.

The effect of the vesting of the B Class Shares and conversion into ordinary shares has been to dilute the voting power of all ordinary shareholders including UAP and United AUN (but excluding the participants) equally.

10 OTHER MATERIAL INFORMATION

Australian tax considerations

Each shareholder should obtain specific tax advice on the treatment of the buy-back program and any return of capital, taking into account their particular circumstances.

Australian tax implications will depend on the method chosen for returning surplus capital:

- **Off-market buy-back tender:** The Company expects that 100% of the buy-back price under any buy-back tender will be treated as capital for tax purposes. The Company intends to obtain a Class Ruling from the Australian Taxation Office to confirm this tax treatment if an off-market buy-back tender is undertaken. Tax treatment of off-market share buy-backs is currently under review and the Board of Taxation is expected to release a report on this later in 2008. If the Company proceeds with the buy-back, general information on the tax implications of successfully participating in the buy-back will be set out in the buy-back booklet sent to shareholders in relation to the buy-back.
- **On-market buy-back:** The tax treatment of shares sold into any on-market buy-back is the same as for any other on-market share sale and is dependent upon the specific circumstances of the shareholder.
- **Capital return by reduction of capital:** The Company expects that 100% of the amount paid will be treated as capital for tax purposes. The Company intends to obtain a Class Ruling from the Australian Taxation Office to confirm this tax treatment if a capital return by reduction of capital is undertaken.

  Accordingly, for shareholders holding their ordinary shares on capital account, the cost base of each ordinary share will be reduced by the amount returned (per share) for the purpose of calculating any capital gain or loss on ultimate disposal of that share. No part of the amount returned will be deemed a taxable dividend.

  The amount by which the capital returned exceeds the cost base of each share will be a capital gain to the shareholder which should be taken into account in calculating the net capital gains or net capital losses to be included in the shareholder's assessable income. It is expected that any capital gain or loss arising for a non-resident shareholder should be disregarded subject to certain conditions being met.

Latest information on any Class Ruling sought by the Company will be posted on the Company's website as received. Shareholders will not be individually notified of the issue of the Class Ruling. The Class Ruling will be published by the Australian Taxation Office on its website.

Effect on participating shareholders' voting and dividend rights

Shareholders will be entitled to vote (in accordance with voting rights attached to their ordinary shares) at the Annual General Meeting on 29 May 2008 and at any other meeting of the shareholders of the Company that is held before the Company enters into a buy-back agreement with the shareholders (whether at the end of the buy-back tender process, or under an on-market buy-back).

Shareholders will also be entitled to any dividends (in accordance with the dividend rights attached to their shares) where the record date for the dividend occurs before the date on which the Company enters into a buy-back agreement with the shareholders (whether at the end of the buy-back tender process, or under an on-market buy-back).

Once a buy-back agreement is entered into in respect of ordinary shares, by operation of the Corporations Act, the rights attached to those shares are suspended and immediately after the registration of the transfer of shares bought back by the Company, the shares are cancelled.

A capital return by way of reduction of capital does not affect participating shareholders' voting or dividend rights.

Effect on employee incentive plans

The buy-backs and capital return only relate to ordinary shares.

Explanatory Notes CONTINUED

for Annual General Meeting 2008

In relation to the 50,000 options still outstanding, if by the record date for the buy-back tender or capital return, the options have been exercised and shares have been issued, the holders of these shares will be entitled to participate in the buy-back tender or capital return.

Directors' interests in shares

The relevant interest of each Director in the share capital of the Company as at 4 April 2008 as notified by the Directors of the Company to the ASX in accordance with section 205G of the Corporations Act is:

	ORDINARY SHARES	
Name of Director	Director Interest	Director related party interest
John W. Dick[(i),(ii)]	–	–
Tim D. Downing	136,986	52,911
Michael T. Fries[(i),(ii)]	–	–
Justin H. Gardener	–	217,300
Shane O'Neill[(i)]	–	–
John C. Porter[(iii)]	16,534,899	1,524,900
Gene W. Schneider[(i),(ii)]	–	–

(i) As at 4 April 2008, John W. Dick, Michael T. Fries, Gene W. Schneider and Shane O'Neill were directors or officers of companies that are indirect shareholders of:

- United Asia/Pacific Communications, Inc., one of the companies comprising UAP, which owns 670,018,242 ordinary shares in the Company and has a relevant interest in 12,200,000 additional ordinary shares pursuant to conditional sale agreements entered into on 1 April 2008; and
- United AUN LLC, which owns 6,240,152 ordinary shares in the Company.

(ii) As at 31 March 2007, John W. Dick, Michael T. Fries and Gene W. Schneider have the following direct or indirect interests in Liberty Global, Inc. which controls UAP and United AUN.

	John W. Dick	Michael T. Fries	Shane O'Neill	Gene W. Schneider
LGI Series A Common	7,335	63,541	8,847	604,523
LGI Series A Common Restricted	–	25,756	15,440	–
LGI Series C Common	6,629	117,639	8,847	605,023
LGI Series C Common Restricted	–	25,756	15,440	–
LGI Series A Option	31,553	749,279	–	952,320
LGI Series C Option	31,553	549,279	–	952,320
LGI Series A Stock Appreciation Rights*	–	–	–	2,635
LGI Series C Stock Appreciation Rights*	–	–	–	2,635

(iii) On 1 April 2008, John Porter agreed to sell 9 million ordinary shares in the Company to UAP pursuant to a conditional sale agreement. Completion of the agreement is subject to formal approval of the Foreign Investment Review Board.

The Directors are entitled to participate in any buy-back program in the same manner as other shareholders and may do so according to their own particular circumstances. However, the Directors will not participate in any buy-back tender.

Foreign Acquisitions and Takeovers Act (the Act)

The Company will require the approval of the Commonwealth Treasurer to buy-back more than 15% of its shares. If necessary, the Company will notify the Treasurer in accordance with the Act before proceeding with a buy-back.

Under the Act, the Treasurer may make divestment orders in relation to shares held by certain persons if following the buy-back a foreign person has a controlling interest in the Company. Relevantly, a person will have a controlling interest if they and their associates have control of or interests in 15% or more of the Company's shares. Shareholders who are foreign persons should take their own advice in relation to the implications of any buy-back for them.

AUSTAR UNITED COMMUNICATIONS LIMITED
ABN 88 087 695 707

Austar United Communications Limited
ABN 88 087 695 707

TO LODGE A PROXY FORM:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Facsimile 61 3 9473 2118

000001 000 AUN
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

FOR ALL ENQUIRIES CALL:
(within Australia) 1300 855 080
(outside Australia) 61 3 9415 4000

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECEIVED BY 10:00AM TUESDAY 27 MAY 2008

YOUR ANNUAL REPORT IS AVAILABLE ONLINE, SIMPLY VISIT:
http://www.austarunited.com.au/investor/default.asp

- ☑ **Access your annual report**
- ☑ **Review and update your securityholding**

YOUR SECURE ONLINE ACCESS INFORMATION

SRN/HIN: I1234567890

POST CODE: 3030

! FOR SECURITY REASONS IT IS IMPORTANT THAT YOU KEEP YOUR SRN/HIN CONFIDENTIAL.

HOW TO COMPLETE THIS PROXY FORM *Please read these notes prior to completion of the voting form.*

VOTES ON ITEMS OF BUSINESS

Voting 100% of your holding. You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Voting a portion of your holding. You may indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. The sum of the votes cast on each item or the percentages for and against an item must not exceed your voting entitlement or 100%.

A proxy need not be a securityholder of the Company.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the proportion or number of votes each proxy may exercise, otherwise each proxy may exercise half of the votes. Fractions of votes will be disregarded. A separate Proxy Form should be used for each proxy. You can obtain additional forms by telephoning the company's share registry or you may copy this form. If you lodge two proxies please lodge both forms together.

SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained by telephoning the company's share registry or at www.computershare.com.

LODGEMENT OF A PROXY FORM. **This Form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 48 hours before the commencement of the meeting at 10:00am, Thursday 29 May 2008. Any Proxy Form received after that time will not be valid for the scheduled meeting.**

PROXY FORM

PLEASE MARK X TO INDICATE YOUR DIRECTIONS

STEP 1 APPOINT A PROXY TO VOTE ON YOUR BEHALF

I/We being a member/s of Austar United Communications Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

Please leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Austar United Communications Limited to be held at The Westin Hotel, No. 1 Martin Place Sydney NSW 2000 on Thursday 29 May 2008 at 10:00am and at any adjournment of that meeting.

STEP 2 ITEMS OF BUSINESS

! **PLEASE NOTE:** If you mark the **Abstain** box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Ordinary Resolutions	For	Against	Abstain[1]
1 To receive and consider the financial and other reports	☐	☐	☐
2 To adopt the remuneration report	☐	☐	☐
3a To re-elect Mr John W. Dick as a Director	☐	☐	☐
3b To re-elect Mr John C. Porter as a Director	☐	☐	☐
3c To elect Mr Roger Amos as a Director	☐	☐	☐
4 To approve the buy-back of up to $300 million ordinary shares	☐	☐	☐
5 To approve the return of up to $300 million capital to shareholders	☐	☐	☐

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

SIGN SIGNATURE OF SECURITYHOLDER(S) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

I 1234567890 I ND

000001 000 AUN
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of name and/or address.** If your name and/or address is incorrect, please mark this box and make the correction on this form. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes. *Please note, you cannot change ownership of your securities using this form.*

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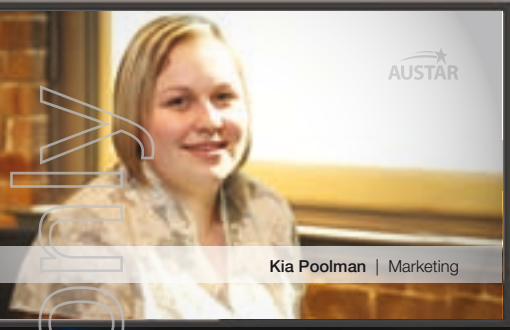
AUSTAR®

ANNUAL REPORT **2007**

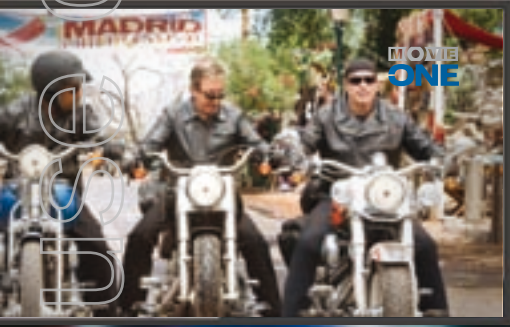
Personality

Chris Garcha | Technology Operations



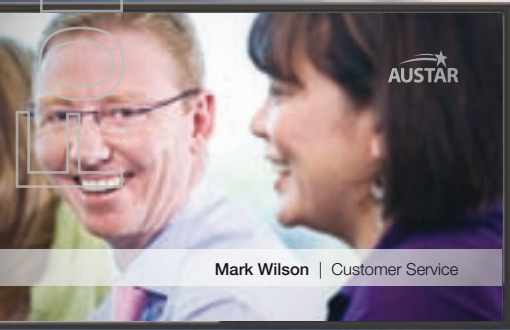
Kia Poolman | Marketing

Michelle Mulaimovic | Inbound Sales



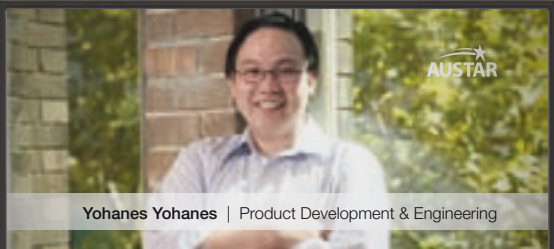
Katrina Lowe | Outbound Sales

Claire Sailes | Outbound Sales



Mark Wilson | Customer Service

Amar Alamar | Technology Operations



Yohanes Yohanes | Product Development & Engineering

NOTICE OF MEETING

AUSTAR's Annual General Meeting will be held at 10am. Heritage Ballroom, The Westin Sydney. No.1 Martin Place, Sydney NSW 2000 on Thursday 29 May 2008.

Further information regarding the meeting is contained in the Notice of Annual General Meeting enclosed with this report.

FINANCIAL CALENDAR

Beginning of new financial year	1 January 2008
Preliminary final results	26 February 2008
Release of Q1 results	April 2008
Annual General Meeting	29 May 2008
Release of half-yearly results	August 2008
Release of Q3 results	October 2008
End of financial year	31 December 2008

Personal touch only

AUSTAR®

you'll love what's on

AUSTAR is the leading subscription television provider in regional and rural Australia, with more than 660,000 customers. Internet and mobile telephony services complete AUSTAR's product offering.

2007 has seen AUSTAR continue to entertain, educate and inform regional and rural Australians. Whether it be the latest in live sports, award winning Australian dramas, or our highly regarded news and documentary channels, more Australians are now tuning into subscription television.

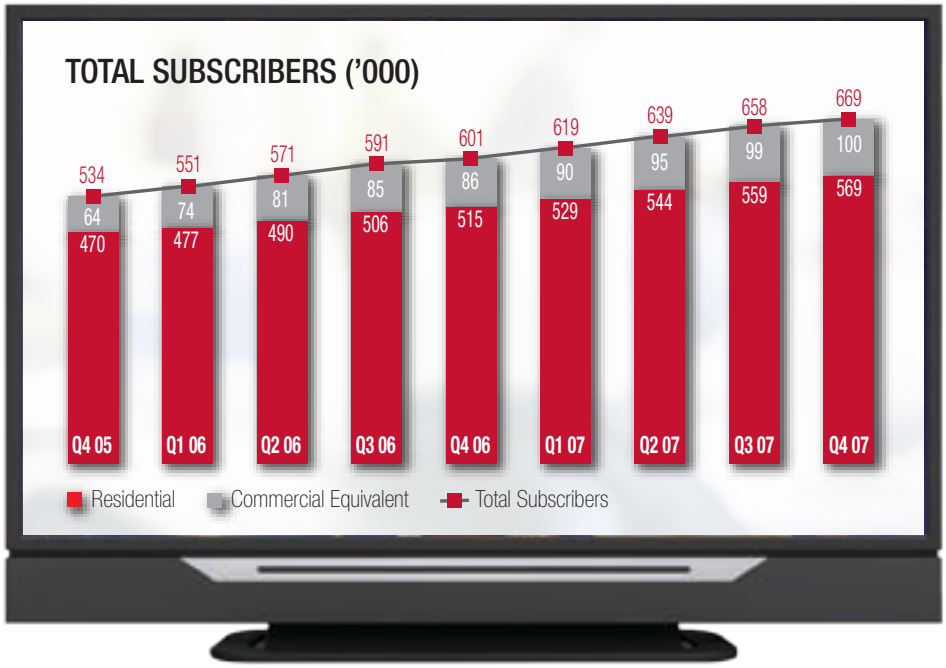
The news only gets better in 2008. We have added more channels and launched MyStar, AUSTAR's personal digital recorder, which is set to revolutionise television across our market. MyStar is all about personalising one's television experience: see what you want, when you want.

With AUSTAR continuing to focus on delivering 'must have television', subscribers across regional and rural Australia all agree – you'll love what's on.

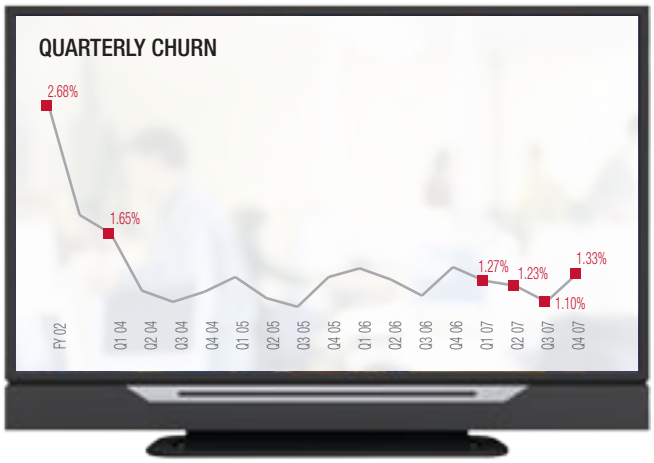
Highlights

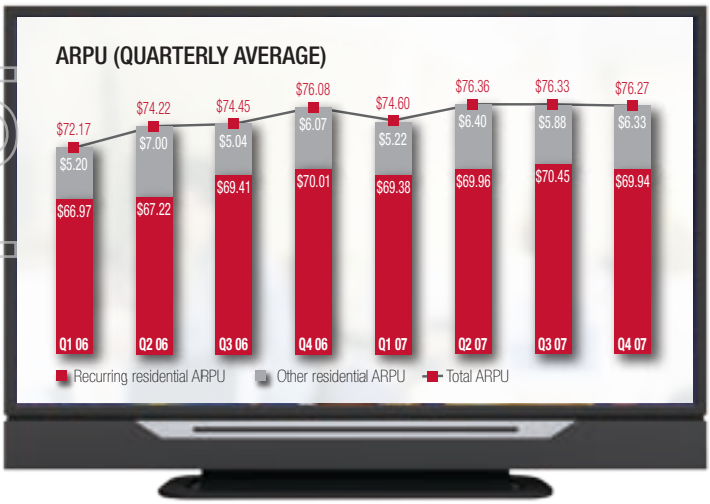
Strength in all operational and financial metrics has seen AUSTAR record another year of dynamic growth.

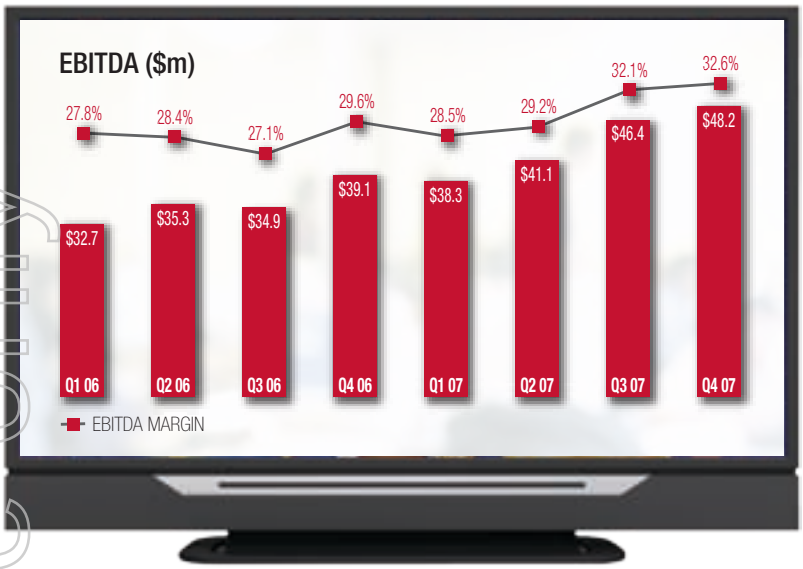
Operational highlights



"Delivering consistent and reliable subscriber growth"

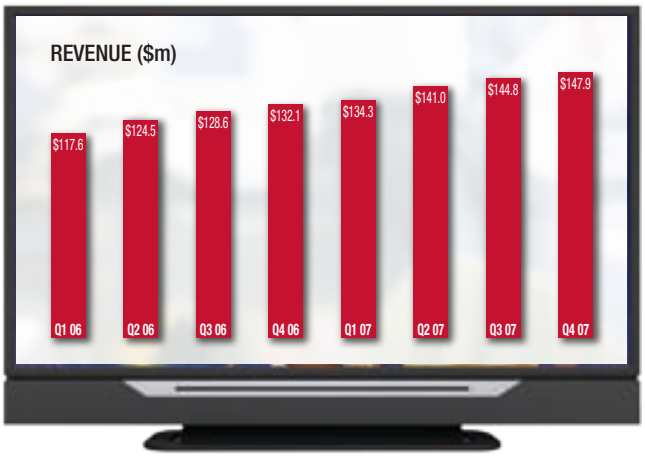






Financial highlights

"Consistent EBITDA growth with increasing margins demonstrates the operating leverage in our business model"



	FY06	FY07		Change
Total Subscribers	**601,126**	**668,786**	↑	**11%**
– Residential	514,856	568,609		10%
– Commercial	86,270	100,177		16%
Total ARPU (quarterly)	**$76.08**	**$76.27**	↑	**0.2%**
– Recurring Residential ARPU	$70.01	$69.94		(0.1)%
– Other Residential ARPU	$6.07	$6.33		4%

A$m	FY06	FY07		Change
Total revenue	**502.8**	**568.0**	↑	**13%**
Gross margin	**276.4**	**309.5**	↑	**12%**
as % revenue	55.0%	54.5%		
Operating expenses	(134.5)	(135.4)	↑	1%
EBITDA[1]	**141.9**	**174.1**	↑	**23%**

[1] *Earnings before interest, tax, depreciation and amortisation – excluding stock based compensation expenses, foreign exchange gain/loss, share of associates and significant items.*

Chairman's overview

Dear Shareholder,

2007 was one of AUSTAR's best years yet and has set us up well for continued success in 2008. The Company has improved its ability to manage operations and deliver to performance targets regardless of changing landscapes and it is this unique combination of agility and discipline that positions AUSTAR to perform well for years to come.

There was no shortage of highlights in 2007. An impressive momentum in subscriber growth continued with our total customer base growing to 668,786. This was an 11% increase in our total subscriber base, demonstrating that after 13 years in regional Australia, subscription television continues to appeal to fresh segments of the market. Churn in 2007 reduced by 0.07 to 1.23%, and while we may see a slight increase in average churn in 2008 due to macro-economic factors, I'm confident that this will be short lived. Total ARPU, meanwhile, stayed steady at $76.27, a great accomplishment given our basic package is just $39.95.

Financially, top-line growth, combined with a disciplined approach to cost control, saw AUSTAR continue its trend of strong profit results. The Company has focused on efficiency in all areas of the business to ensure that while it continues to deliver subscriber growth, it also maintains a disciplined attitude towards operational expenditure. Given that the Company is still in a growth phase, the financial metrics are even more impressive:

- Total revenue increased 13 per cent on 2006, to $568 million;
- Gross margin improved 12 per cent to $310 million;
- EBITDA increased 23 per cent to $174 million;
- Operating expense growth of 1%;
- Expansion of EBITDA margin to 30.6%; and
- Subscribers increased by 67,660.

Management restructure

In August, the Company undertook an employee reorganisation that saw four of its senior managers leave the business, out of 33 positions that were either not renewed or made redundant. The decision came after the Company reinvigorated its focus on its core business following the Broadband Connect funding decision which saw our broadband rollout put on hold. This restructure allowed us to implement succession planning, and as a result AUSTAR is now in a very strong position for the future.

Capital management

AUSTAR is committed to creating returns for its shareholders, and in October we undertook a $300 million capital return, which gave our investors 23.68 cents per ordinary share. This was the second year in a row that we have made a return of capital, and we will examine capital management options in the year ahead subject to supportive market conditions. We will seek shareholder approval at the Annual General Meeting to undertake up to an additional $300 million Capital Management Program. This may include buying back ordinary shares, paying each ordinary shareholder a capital amount (without buying back or cancelling shares) or a combination of both.

In October, in accordance with their terms of issue, we redeemed the Subordinated Transferable Adjustable Redeemable Securities (STARS). STARS were redeemed at their face value of $100 each plus any interest payable. We were delighted to offer this security, and thank those securityholders for their support of the company.

Employee ownership

In October 2007, the board approved the offering of the General Employee Share Plan for 2007–2008 whereby employees can invest up to $1,000 of their before-tax income in the Company. In November 2007, a total of 184 employees nominated to purchase AUSTAR shares under this plan.

Meanwhile, with the conclusion of the previous senior management share plan upon the April 1 2008 vesting of the remaining B Class shares, the Company has implemented a new performance-based, long-term incentive plan for senior managers, targeting 20% EBITDA Compound Annual Growth Rate (CAGR) for 2007 and 2008. Share based compensation is designed to align the interests of the CEO, Group Directors and other Senior Executives with those of shareholders in the Company over the long term. This new incentive plan, which is based on the Liberty Global Senior Executive Performance Incentive Plan, was approved by the Remuneration Committee on 31 July 2007 following a review by external consultants of AUSTAR's executive remuneration.

Under the new plan, 25 Senior Executives are entitled to a bonus calculated on a two year performance period ending December 2008 and vesting in bi-annual tranches over the subsequent three year service period to September 2011. To qualify for any award the Company must achieve a CAGR of at least 15% in EBITDA over the 2006 to 2008 performance period. The maximum award is payable if a CAGR of 20% is achieved. Subject to any necessary approvals the plan is expected to be paid out in shares, converted at the market price on each vesting date.

The 2007 Long Term Incentive Plan is accounted for as an equity-settled, share-based payment. The fair value of the plan at inception totalled $38.5 million and is expensed on a time proportionate basis over the vesting periods for each tranche.

Outlook

While the current market outlook is creating some anxiety for everyone, in my experience, the subscription television industry is heavily protected against economic downturn. While we may face challenges ahead, I'm satisfied that our product is compelling, and importantly offers enough value to customers who may be forced to otherwise cut spending. Furthermore, our experience shows that if an economic downturn does affect our customers to the point of churning from the product, these subscribers, and greater numbers of new ones, come swiftly back on board when the economy recovers.

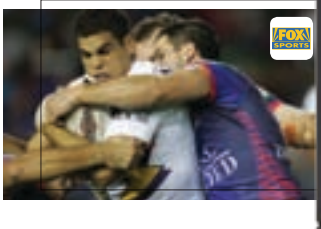
2008 will not be without its challenges but AUSTAR prefers to view these as opportunities. As free-to-air networks prepare to introduce their digital multi-channel networks, AUSTAR is in the unique position of being able to provide viewers with a completely integrated television experience, offering each of these multi-channels via MyStar. AUSTAR offers regional Australians excellent value for money, and internet based alternatives cannot offer the same levels of choice and convenience. Not standing still, we will take the time in 2008 to assess broadband and mobile opportunities in light of market changes resulting from the government's various broadband initiatives. With minimal refinancing risk in a volatile market, AUSTAR is well positioned to capitalise on opportunities in the coming year.

I'm personally very excited about AUSTAR's future. I would like to thank Chief Executive Officer John Porter, the senior leadership team and all AUSTAR employees for the hard work and dedication that made AUSTAR's achievements throughout 2007 possible.

Finally I would like to thank all of our shareholders for your ongoing support.

Yours sincerely,

Mike Fries
AUSTAR CHAIRMAN



"I can't live without my sports channels and neither can Regional Australia"

CEO's overview

2007 was an exceptional year for AUSTAR, our customers, our employees and our shareholders. A mixture of growth and innovation in our product and content line-up, and a disciplined approach to execution led to strong results across all areas of the business. Three consecutive quarters of more than 18,000 subscription television customer additions demonstrated a trend for strong and sustainable growth. After 13 years in the business, this increasing demand signals that our product still has enormous growth potential. Aside from attracting new customers, we also understand that continuous innovation and improvement are key to ensuring our subscribers stay satisfied once they've joined.

The surest indicator of customer satisfaction is time spent viewing our service. In 2007 AUSTAR's customers spent 63% of their television viewing time watching our channels, up from fifty per cent ten years ago, and increased their viewing of the product by nine per cent compared with viewing figures in 2006.

One of our consistent areas of focus over the past few years has been ensuring disciplined execution, and as such, our operating costs increased just one per cent in 2007. Key drivers of this restrained approach included:

- Cost per net sale decreased 14% to $249;
- Average call volumes per month decreased 15% to 202,828; and
- More effective & efficient marketing campaigns through segmentation of target customers.

In 2007 we continued to drive sales through lower cost channels, and as a result saw our inbound sales increase to 54% compared to 51% in 2006, while online activity grew steadily to 8% of total sales in 2007. Efficiencies in the way we manage our subscriber base have seen positive movements in all key performance indicators. Utilisation of our technology, including online, IVR and self service (phone & online) is up to 58% in our residential subscriber base. These initiatives have resulted in a reduction in annualised service costs per subscriber.

Capital expenditure, meanwhile, increased 18% as a direct reflection of our growth activity. 80% of capital expenditure was attributable to subscriber related activity, including:

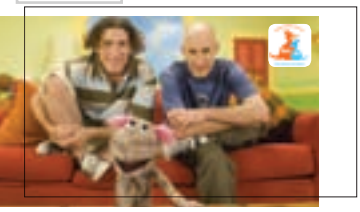
- Subscriber equipment such as MyStar; and
- A CPI increase for our installers.

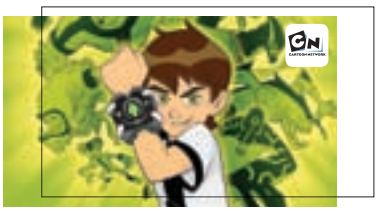
In July, AUSTAR was named the Queensland 'Contact Centre of the Year' in the 120 employees and above category at the Australian Teleservices Association's awards. Being recognised by our industry for top awards two years in a row is a great honour, and a testament to the dedication of our customer and credit services employees.

Content

In 2007, both AUSTAR and our channels continued to invest in quality content to both attract new customers and increase the satisfaction levels of existing subscribers. Early in the year we announced a much improved AFL deal which saw the AFL move to FOX Sports, allowing us to offer five and sometimes six live and exclusive AFL games in some states every week. Meanwhile, the Hyundai A-League soccer gained an enormous following. AUSTAR's commitment to live and exclusive Australian sports saw increased coverage of other sports including netball, domestic basketball and Super 14 rugby.

Meanwhile, the critical success of Love My Way set a benchmark that all of our local productions aim to reach. In 2007, Nick Jr's, The Upside Down Show, won the Silver Logie for Best Children's Show, and Love My Way won its third Best Drama Logie in a row. Not to be outdone, TV1's





The King won the best Actor and Best Mini Series awards in the television categories at the AFIs, and Love My Way won Best Drama and Best Actress. One third of all the television nominations at the AFIs were for content which originated on subscription television.

Furthermore, 2007 saw several new channels added to the service, including Showcase, which is offering some of the best drama series and documentaries ever seen on Australian television, top-tier sports channel, Setanta, and an exceptional cultural offering, NITV. Early in 2008 we also added the authority on the Australian economy, Sky News Business Channel.

We intend to vigorously continue in this tradition, with the industry currently spending $280 million a year on locally produced content.

MyStar

With so much great content on offer, we have made a major investment in MyStar to ensure that customers can make the most of it. Personalised television viewing is extremely important to AUSTAR's subscribers, and a key part of the subscription television proposition. Officially launched in February this year, the MyStar Personal Digital Recorder features live pause, live rewind, and recording functionality for two programs while reviewing a third. MyStar also contains two digital free-to-air tuners which enable viewers to watch their local, digital free-to-air channels without having to purchase a separate digital set-top box. We proudly collaborated with all of our free-to-air colleagues and have provided a seamless integration for our customers of AUSTAR and free-to-air viewing.

In 2008, we are also working on the development of a HD MyStar. When we are in a position to launch HD services, possibly later in 2009, we will be able to combine the benefits of the MyStar and HD services.

Broadband

Following the Government's decision to award the Broadband Connect funding to the OPEL consortium, we reviewed our broadband strategy and ultimately decided to sell our licenses to OPEL and become a major wholesale customer of both OPEL and Optus. However, as announced on 1 April 2008, the Government has decided to terminate the OPEL contract, which means that the sale of our licences will not proceed in its current form. We remain confident that AUSTAR will be in a position to monetise our spectrum holdings at some point in the future. A licensed WiMAX network will be critical to the economic provision of broadband services in regional Australia, and we will continue to work with interested parties to ensure that regional Australians are not left behind.

Regulation

We are looking forward to working with the new Federal Government in all areas of media policy. In particular, we are hopeful that under the new government we will be able to move to a more even regulatory playing field. With the free-to-air networks moving to increased multi-channelling from 2009, the regulatory protections they enjoy must be adjusted to create equivalence between all multi-channel players, including in the key area of sports rights. It would be completely untenable for free-to-air networks to be allowed to broadcast sports on the anti-siphoning list on their multi-channels.

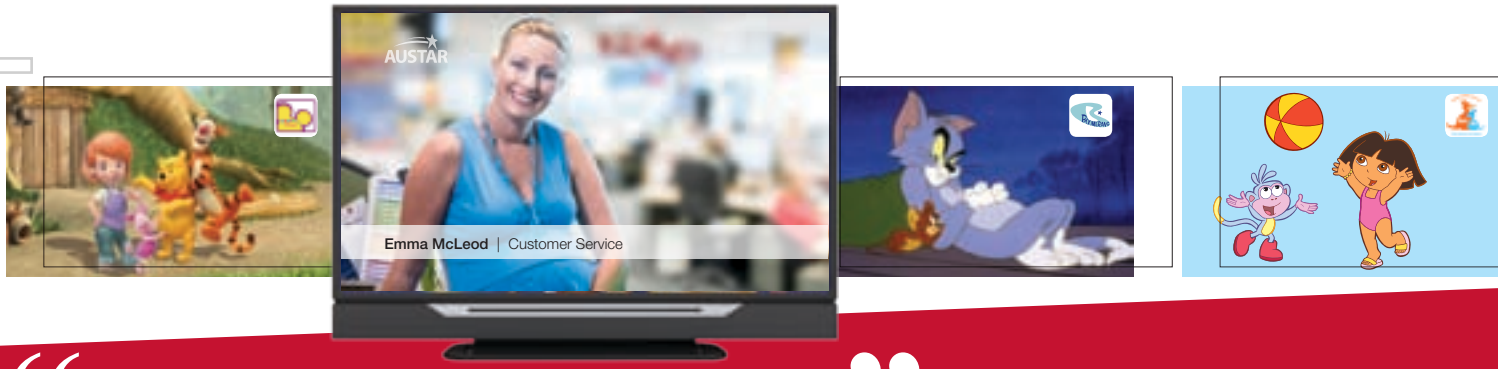
Outlook

Factors including the state of the macro-economy have the potential to influence our subscriber trends in early 2008. However experience, both local and international, has shown that subscription television recovers very strongly following economic downturn, and to a large extent, is insulated against this type of slowdown. In such times, subscription television is more relevant than ever as households tend to reduce external entertainment spending and increase time spent at home.

I'm excited about the future of television in Australia. Never have there been so many options for regional Australians in terms of their television viewing, as our channels create high quality programming, more and more exclusive content debuts every week, and MyStar revolutionises television viewing in our markets. Our award-winning content, our innovative product lineup, our top-class management team and our commitment to running the business as efficiently as possible, will all help us achieve another great year in 2008 for customers and shareholders.

Yours sincerely,

John Porter
AUSTAR CEO



"Children of all ages will love the variety on AUSTAR"

Community

AUSTAR in the community

As a business focussed on regional Australia, we are well aware of the importance of local communities in our markets.

In 2008, we relaunched our AUSTAR for schools program, and it now offers 19 educational channels to more than 2000 regional Australian schools, absolutely free. We continue to sponsor the Bell Shakespeare Theatre Company, and will further develop our successful Stage for Life programme. We also continue to support charitable organisations from within the company, and through our employees. And this year, we've added environmental responsibility as a key tenet of our community programme.

AUSTAR for schools

AUSTAR for schools offers 2,000 schools across regional Australia with free access to:

ABC
Animal Planet
Aurora Community Channel
BBC World
CNN
Discovery Channel
Discovery Home & Health
Discovery Science
Discovery Travel & Living
LifeStyle
LifeStyle Food
National Geographic Channel
NITV
Ovation
SBS
SKY News
SKY News Business
The History Channel
The Weather Channel

A number of these channels invest major resources in developing and localising teachers' support materials to suit the national curriculum, available for download via the dedicated AUSTAR for schools website. This popular program enables teachers throughout regional Australia to access a comprehensive range of teachers' support materials – all in the one place specifically designed to add value to the classroom experience.

AUSTAR for schools gives children the opportunity to supplement their learning with award-winning educational content, giving them access to a world of information.

Environment

AUSTAR is very committed to sustainability and environmental responsibility, and as such we have established a 14 member cross-departmental taskforce to develop and implement business and cultural initiatives in order to deliver environmental benefits. The taskforce is focussing on six tangible areas:

- Energy
- Water
- Paper
- Travel
- Product
- Culture

with five philosophical aims:

- Reduce
- Reuse
- Recycle
- Sustain
- Reform

AUSTAR does not have a high record of emissions, but we recognise that we can all benefit from reducing our waste and encouraging efficiency. Success can only come from the wider adoption of behaviours by our employees, so a key aspect of our program is devoted to cultural education.

We have also committed to ensuring all of our new set top boxes comply with strict industry codes around energy emissions. In 2008, some further initiatives we'll be exploring include:

- further ways of reducing our electricity and water usage;
- reducing travel between offices and promoting teleconferencing;
- rolling out e-communications, with billing, customer communications, shareholder information, archiving and our internal publications;
- defaulting to double sided printing;
- working with our third-party suppliers to encourage similar behaviours; and
- implementing new, energy efficient server hardware.

AUSTAR employees have reacted very positively, running competitions around effectiveness. For example, in one department a fine to charity applies if a fellow employee is caught using too much paper or leaving their computer on overnight.

Bell Shakespeare

As Regional Education Sponsor of The Bell Shakespeare Company, AUSTAR brings the arts to regional and rural Australia through programs such as AUSTAR's Stage for Life, giving students the opportunity to interact with professional actors exploring scenes from the plays of Shakespeare.

AUSTAR's Stage for Life assists regional students who are keen to pursue a career in stage production, to get real experience by working alongside acclaimed actors.

Stage for Life brings two young theatre lovers to Sydney for a week of insight into theatre and television production. In 2008, we will build on this programme by launching two regional Stage for Life series. Winning students will gain experience into the touring schedules of mainstage productions which are touring to their local area.

Company sponsorship

We maintain our sponsorship commitment to three AUSTAR nominated charities – Jeans for Genes, Camp Quality and the Australian Red Cross.

Jeans for Genes is a charity which contributes funds towards the Children's Medical Research Institute for research into genetic defects in children. Since 1998, AUSTAR has raised well over $50,000 towards this cause, and this year we contributed a further $7,500.

Camp Quality is another charity with which AUSTAR has had a long association. This non-profit organisation is committed to bringing hope and happiness to every child living with cancer, their families and communities through quality recreational, educational, hospital and financial support programs. AUSTAR donated over $14,000 in 2007, assisting 26 children to attend camp.

At AUSTAR, we value the charitable contribution that our employees make outside of the office, and we continue to recognise employees or groups of employees who've made the most impressive commitment to a non-profit organisation. 2007 saw the implementation of the Australian Red Cross Telecross programme which encourages employees to make telephone connections with needy members of the community during work hours.

AUSTAR in the community brings the world to regional Australia.

Stage for Life 2007 Winners | Rohan Comello and Alix Parsons


Sales team

"The latest lifestyle and drama programs ... it's all on AUSTAR"

Board of Directors

Michael T Fries

Chairman and Non-Executive Director

Mr Fries has been a non-executive Director since 16 June 1999 and was appointed non-executive Chairman in March 2006. He is a member of the Remuneration Committee and was previously Executive Chairman and member of the Audit and Risk Committee of AUSTAR.

Mr Fries is the President and Chief Executive Officer of Liberty Global, Inc. ("Liberty Global"), which was formed for purposes of the business combination of Liberty Media International, Inc., now known as LGI International, Inc., and UnitedGlobalCom, Inc. (UGC) in June 2005. Mr Fries served as CEO of UGC from January 2004 to June 2005 after holding several senior management positions after the company's formation in 1990. From 1990 to 1995, Mr Fries managed UGC's global development activities and oversaw expansion into Europe, Asia/Pacific, and Latin America. In 1995, Mr Fries became head of the company's Asia/Pacific operations, where he oversaw the formation and management of Austar Entertainment Pty Limited, until his promotion to President and Chief Operating Officer of UGC in September 1998. He continues to serve as President of UGC.

Mr Fries holds an M.B.A. from Columbia University and a B.A. from Wesleyan University.

Mr Fries held no other Australian listed company directorships during the past three financial years.

Tim D Downing

Non-Executive Independent Director and Deputy Chairman

Appointed to the Board on 23 June 1999, Mr Downing is a member of the Audit and Risk Committee and Chairman of the Remuneration Committee. Mr Downing is a director of a number of public and private companies including Macquarie Private Capital Group Limited, a publicly listed Australian company.

Since 1984, Mr Downing has worked in the finance industry, principally in investment banking and private equity. Since 1989 he has been principal in a number of companies that manage private equity funds investing in both general industries and the media and communications sector. Mr Downing is a founder and director of the private equity firm Fulcrum Capital Partners Limited.

From left to right: Michael T Fries, Tim D Downing, Justin H Gardener, John W Dick, Shane O'Neill.

Justin H Gardener
Non-Executive Independent Director

Appointed to the Board on 23 June 1999, Mr Gardener is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee. From 1961 to his retirement in 1998, he was with Arthur Andersen, for the last ten years in a management supervisory role for the Asia Pacific region.

He holds a Bachelor of Economics Degree from Sydney University and is a Chartered Accountant.

Mr Gardener is also a director of Hutchison Telecommunications (Australia) Limited, an Australian listed company.

John W Dick
Non-Executive Director

Mr Dick has been a non-executive Director of AUSTAR since 22 April 2002 and was appointed to the Audit and Risk Committee in March 2006. He has also been a director and a member of the Audit Committee of Liberty Global since June 2005. Mr Dick served as a director of UGC from March 2003 to June 2005. Mr Dick served as a director and non-executive chairman of Terracom Broadband, a Rwandan fibre optic company, and a director and non-executive chairman of Rwandatel, a telecommunications company in Rwanda, until the sale of each of those companies in 2007. In the past, he has served as a director and executive officer of various development companies.

Mr Dick holds a B.A. from Wheaton College, Illinois and an LL.B from the University of Toronto.

Mr Dick held no other Australian listed company directorships during the past three financial years.

Shane O'Neill
Non-Executive Director

Mr O'Neill was appointed as non-executive Director of AUSTAR on 5 January 2006 and subsequently a member of the Remuneration Committee. Mr O'Neill is a senior vice president and chief strategy officer of Liberty Global since June 2005, overseeing the company's strategic planning, mergers and acquisitions and corporate development activities. Mr O'Neill is also president of Chellomedia and is an officer of several of Liberty Global's European subsidiaries. Mr O'Neill joined Liberty Global in 1999 as managing director of Corporate Development and Mergers & Acquisitions. Mr O'Neill served as the chief strategy officer of UGC Europe (now known as Liberty Global, Inc.) and its predecessors from June 2000 to June 2005. Mr O'Neill is a director of Telenet Group Holding NV, a Belgian public limited liability company.

Mr O'Neill is a qualified Chartered Accountant and received a Law degree from Trinity College, Dublin.

Mr O'Neill held no other Australian listed company directorships during the past three financial years.

Board of Directors cont'd

John C Porter

Executive Director and Chief Executive Officer

Mr Porter has been Executive Director and Chief Executive Officer of Austar United Communications Limited since 23 June 1999. Mr Porter was Managing Director of Austar Entertainment Pty Limited from July 1997 to December 1999. From January 1997 to August 1999, he also served as the Chief Operating Officer of United Asia Pacific, Inc. ("UAP"). Mr Porter led the establishment of Austar Entertainment Pty Limited in 1995, and by doing so, played an integral role in the development of Australia's subscription television industry. Prior to joining AUSTAR, Mr Porter spent ten years in various senior management capacities for Time Warner Cable, a subsidiary of Time Warner, Inc. Mr Porter has more than 25 years of management experience in the US and Australian subscription television industries.

Mr Porter serves as the president on the Board of the Australian Subscription Television and Radio Association, and a director of Multi Channel Network, a position he has held since March 2000. Mr Porter was also a director of TVN Corporation Limited (formerly TVSN Limited), from October 2000 to November 2006.

Gene W Schneider

Non-Executive Director

Mr Schneider was appointed to the Board on 23 June 1999 as a non-executive Director of AUSTAR. Mr Schneider was previously a Member of the Audit and Risk and Governance Committees. Mr Schneider has served as a director of Liberty Global since June 2005. He served as a founder and chairman of the board of UGC and its predecessors from 1989 until June 2005. Mr Schneider also served as chief executive officer of UGC and its predecessors from 1995 to January 2004. Prior to forming UGC and its predecessors, Mr Schneider was a founder and officer of other telecommunication companies in the US.

Mr Schneider holds a B.S. in Engineering from the University of Texas.

Mr Schneider held no other Australian listed company directorships during the past three financial years.

From left to right: John C Porter, Gene W Schneider.

Consolidated Financial Report

FOR THE YEAR ENDED 31 DECEMBER 2007

Austar United Communications Limited
ABN 88 087 695 707

Directors' Report

The Directors present their report together with the financial report of Austar United Communications Limited ("the Company") and of the Consolidated entity, being the Company and its controlled entities ("the Consolidated entity") for the year ended 31 December 2007 and the Audit Report thereon.

1. DIRECTORS

Refer to pages 10–12 for details of the Directors of the Company in office at any time during or since the end of the financial year.

2. COMPANY SECRETARY

Deanne E Weir was appointed to the position of Company Secretary on 20 February 2002. Ms Weir joined AUSTAR in January 2002, and has responsibility for Corporate and Product Strategy, Programming, Corporate Affairs, Growth Initiatives, and Legal Affairs, including as General Counsel and Company Secretary. Prior to joining AUSTAR, Ms Weir worked with Telstra Corporation Limited for nine years in a variety of legal roles, including that of Regulatory and Competition Counsel, and spent two years in New Zealand with TelstraSaturn, where she was Director of Corporate Development.

Ms Weir holds Honours degrees in Arts and Law from Monash University, as well as a Master of Laws from the University of London. Ms Weir is a member of the boards of the Australian Subscription Television and Radio Association (ASTRA), the Premium Movie Partnership which produces the Showtime movie channels, and XYZnetworks Pty Ltd, the producer and/or distributor of key subscription television channels, such as the LifeStyle channels, arena, MAX, [V], Country Music Channel, Discovery, The Weather Channel and Nickelodeon. Ms Weir is also a member of the Advisory Board of the Centre for Media and Communications Law at the University of Melbourne.

3. DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	DIRECTORS		AUDIT & RISK COMMITTEE		REMUNERATION COMMITTEE	
Name	No. of Meetings Held After Appointed or Prior to Cessation	No. of Meetings Attended	No. of Meetings Held After Appointed or Prior to Cessation	No. of Meetings Attended	No. of Meetings Held After Appointed or Prior to Cessation	No. of Meetings Attended
John W Dick	7	5	4	4	N/A	N/A
Tim D Downing	7	7	4	4	2	2
Michael T Fries	7	6	N/A	N/A	2	2
Justin H Gardener	7	7	4	4	2	2
Shane O'Neill	7	5	N/A	N/A	2	2
John P Porter	7	7	N/A	N/A	N/A	N/A
Gene W Schneider	7	3	N/A	N/A	N/A	N/A

4. CORPORATE GOVERNANCE

The Board is committed to good corporate governance practices and has put in place a comprehensive system of practices designed to protect and enhance Shareholder interests and to ensure that the Consolidated entity, its Directors, officers and employees operate in an environment of good corporate governance with appropriate levels of disclosure and accountability.

The Board has adopted a number of policies and other key documents, copies of which are available on the Company's website at http://www.austarunited.com.au/corporate/default.asp, and some of which are summarised below. In addition, many governance practices are enshrined in the Company's constitution.

The Company's policies and practices are regularly reviewed and updated to ensure that they remain current and in accordance with best practices appropriate for the Consolidated entity's business and operational environment.

The ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (the Guidelines), in conjunction with the ASX Listing Rule 4.10.3, requires companies to disclose whether their corporate governance practices follow the ASX Guidelines on an 'if not, why not' basis for each financial year in their annual reports. This statement describes the main corporate governance practices in place during the 2007 financial year, having regard to the Guidelines.

4. CORPORATE GOVERNANCE (CONTINUED)

4.1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of the Board

The Board's conduct is governed by the Constitution and the Charter of the Board of Directors which sets out the role, composition and responsibilities of the Board. Under the Charter, specific functions such as setting the strategic direction of the Company and establishing and monitoring the achievement of financial and operating objectives are reserved for the Board.

The Board oversees and guides the management of the Company to enhance the interests of all shareholders, having regard to the interests of other stakeholders, such as employees, suppliers, customers and the wider community. The Board discharges its duties in relation to certain specific functions through two formal Board committees – the Remuneration Committee and the Audit and Risk Committee. Both committees have formal charters. The committees review certain matters on behalf of the Board and make recommendations to the Board for its consideration.

The Constitution and the Charters of the Board of Directors, Remuneration Committee and Audit and Risk Committee are available on the Company's website.

The Board has also delegated certain powers for the operation and administration of the Company to the Chief Executive Officer, who, with the senior leadership team, is responsible to the Board for the Company's day-to-day management.

4.2 STRUCTURE THE BOARD TO ADD VALUE

Board composition and Director independence

The Company's Constitution provides that the number of Directors is to be fixed by the Board, but there must be no less than three and no more than 12.

The Board regularly reviews the position of each Director against the definition of independence set out in Box 2.1 of the Guidelines and other relevant information. Materiality, for the purpose of assessing independence, is considered on a case-by-case basis, having regard to the circumstances as a whole.

The Board considers two of the non-executive Directors, Messrs Downing and Gardener, to be independent. The Chief Executive Officer, Mr John Porter and the other non-executive Directors did not meet the definition of independence adopted by the Board for the 2007 financial year due to their association with Liberty Global Inc. ("LGI"), which through its indirect holdings, is the majority shareholder of the Company.

It is believed that the current level of 'independent' Directors remains sufficient given the continued representation on the Board by two strong independent Directors who have been Directors of the Company since it listed on the ASX in 1999. The Board does not currently expect that the number of independent Directors will increase during the period that LGI is the Company's majority shareholder through its indirect shareholdings.

Board access to information and advice

There is a procedure agreed by the Board for Directors to take independent professional advice at the expense of the Company. Directors of the Company are entitled, after obtaining approval of the Chairman, to seek independent professional advice at the expense of the Company to assist them to carry out their duties as Directors. The policy of the Company is that any such advice is made available to all Directors.

All Directors have unrestricted access to employees of the Company and, subject to the law, access to all records and information held by the Company and its advisers. The Board receives regular financial and operating information from senior management to assist the Directors in discharging their duties. The Chairman and other Board members are also invited to meet with management on a monthly basis to discuss issues relating to operating performance for the prior month.

Director skills, experience and expertise

The skills, experience and expertise relevant to the position of Director held by each Director in office during 2007 is in the Directors' biography section.

Directors' Report (CONTINUED)

4. CORPORATE GOVERNANCE (CONTINUED)

4.2 STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

Chairman

Mr Mike Fries was appointed non-executive Chairman on 8 March 2006. The Board does not consider him 'independent' because of his association with LGI, the Company's major indirect shareholder. In considering the nominations for appointment of the Chairman at that time, the Board was satisfied that Mr Fries is a capable Chairman, with extensive operational and financial experience and his position reflects the majority ownership by LGI of which Mr Fries is President and Chief Executive Officer.

Nomination and appointment of new Directors

The Board recognises that for some companies, particularly larger companies, a nomination committee may be an efficient mechanism to review appointment of new Directors. In relation to the Company, however, the Board does not currently believe a nomination committee is required due to the small size of the Board. If circumstances arise requiring the consideration of appointment of new Directors, the matter will be dealt with initially by the Remuneration Committee and then referred to the full Board.

Under the Company's constitution, the Directors may appoint any person to be a Director, either as an addition to existing Directors or to fill a casual vacancy. New Directors must then face a vote of shareholders at the next Annual General Meeting in order to be confirmed in office. All Directors other than the Chief Executive Officer are required to seek re-election at least once in every three years on a rotating basis.

Retirement and re-election of Directors

In addition to any requirements prescribed by law, the retirement and re-election of the Board is determined by the following factors under the Company's constitution:

- the Company may by resolution elect any person to be a Director;
- the Directors may appoint any person to be a Director, either as an addition to existing Directors or to fill a casual vacancy. In this instance the newly appointed Director must retire from office at the next AGM. This Director is eligible for election by shareholders at the AGM;
- at least one third of the Directors in office since the last AGM (excluding the Chairman and rounded down to the nearest whole number) are required to retire from office at the Annual General Meeting each year. Such retiring Directors may be eligible for re-election by shareholders; and
- Directors are not permitted to hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election.

4.3 PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The Consolidated entity has adopted a Code of Conduct designed to ensure that its business is conducted with integrity, honesty and fairness.

The Code of Conduct is intended to provide direction to employees and Directors on a range of issues associated with the manner in which the Consolidated entity conducts its business, including dealings with suppliers and customers, general workplace behaviour and dealing with Company property and information. It also sets out the Company's position on a range of matters including conflicts of interest, financial inducements, fair dealing, compliance with laws and reporting of breaches.

A copy of the Employee Code of Conduct is available on the Company's website.

Securities Trading

The Company is committed to effective communication both with shareholders and the market in general. It has implemented a number of procedures to ensure that information is provided to the market in a relevant and timely manner.

The Board has adopted a Continuous Disclosure and Securities Trading Policy, which establishes procedures to ensure that Directors and senior employees are aware of, and fulfil their obligations in relation to the timely disclosure of material price sensitive information.

4. CORPORATE GOVERNANCE (CONTINUED)

4.3 PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (CONTINUED)

Securities Trading (continued)

In addition, subject to the overriding restriction that persons may not deal in the Company's securities while they are in possession of material price sensitive information, Directors and executive officers may not trade in the Company's securities during certain periods before release of the Consolidated entity's quarterly, half-yearly interim and full-year profit results.

A copy of the Continuous Disclosure and Securities Trading Policy is available on the Company's website.

4.4 SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Integrity in financial reporting

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Company's financial position. This assessment is included in the results set out in the annual report and other financial reports and analysis announced to the market on a regular basis. Consistent with the Guidelines, the Company's financial report preparation and approval process for the financial year ended 31 December 2007 involved both the Chief Financial Officer and the Chief Executive Officer stating in writing that, to the best of their knowledge and belief, the Company's financial report presents a true and fair view, in all material respects, of the Company's financial condition and operating results and is in accordance with applicable accounting standards.

Audit and Risk Committee

The Board has established an Audit and Risk Committee, which works to safeguard the Consolidated entity's assets and maintain the integrity of fiscal analysis. The Committee operates under a formal charter and reports to the Board on risk management matters including overseeing the activities of external auditors, accounting functions and internal audit and fraud programs.

The charter of the Audit and Risk Committee provides that the Committee comprises at least three members, who are appointed for a period of three years by the Board from its non-executive Directors. The members of the Audit and Risk Committee of the Company were:

- Justin H Gardener (Chairman) (independent);
- Tim D Downing (independent); and
- John W Dick.

The Committee members have sufficient experience and financial skills relevant to performing their duties. The qualifications of Committee members are included in the Directors' biography section.

The Audit and Risk Committee of the Company has adopted a formal charter. The charter sets out the responsibilities of the Committee, which include reviewing management's risk identification processes and internal controls and compliance with the Corporations Act and ASX Listing Rules.

The Committee is given the necessary power and resources to meet its charter. Members meet with the Company's external auditors without the presence of management. The kind of matters discussed with the external auditors includes external audit plans, review of half-year and preliminary final results and any auditor adjustments to those results prior to lodging with the ASX.

The Committee met four times in 2007, which the Board considers sufficient for the Committee to perform its role effectively. Committee member attendance at those meetings is found in the Directors' Report. The minutes of Committee meetings were included in the papers of the next full Board meeting after each Committee meeting.

Appointment of auditors

The Company's external auditor is KPMG. The Audit and Risk Committee regularly reviews the effectiveness, performance and independence of the external auditors. KPMG was appointed in July 2002. If it becomes necessary to replace the auditors, for performance, independence or other reasons, the Committee will formalise an appropriate procedure for the appointment of replacement auditors at that time.

Audit Partner Rotation

The KPMG external audit lead partner will rotate after the 31 December 2008 year-end.

Directors' Report (CONTINUED)

4. CORPORATE GOVERNANCE (CONTINUED)

4.5 MAKE TIMELY AND BALANCED DISCLOSURE

Continuous disclosure

The Company, as a listed company, is required to comply with the ASX Listing Rules.

The Company has a written Continuous Disclosure Policy to ensure compliance with the law and to inform the market of price sensitive Company information on a timely basis. Once price sensitive information has been released to the ASX, a policy of broad dissemination is adopted so that as many investors as possible will have access to the information disseminated (e.g. by press releases and posting of announcements on the Company's website).

The Company does not practice selective or differential disclosure. That is, the Company will not disclose information to selected individuals or groups (such as analysts or journalists) or in selected situations (such as analyst briefings) that is not already generally available or that the Company does not make available for general use at the same time. The Company seeks to respond to legitimate requests for information in the same manner, irrespective of whether the request comes from a small investor, large investor, an analyst or the media. The Company Secretary has the responsibility on behalf of the Board of communicating issues with the ASX.

A copy of the Continuous Disclosure and Securities Trading Policy appears on the Company's website.

4.6 RESPECT THE RIGHTS OF SHAREHOLDERS

Communications strategy

The Company has developed and maintains an investor relations policy and practice, which ensures a high quality and level of clarity of communication with investors and other stakeholders. The Company provides financial releases to the ASX in respect of its half-year (ending June) and full-year (ending December) financial results. These disclosures are generally made during August and February of each year. The Company also reports publicly with first quarter (ending March) and third quarter (ending September) unaudited summarised results.

The Consolidated entity's financial results, as well as speeches, analyst and media presentations are made available on the Company's website to enable broader access to Company information by investors and other stakeholders.

In addition to the Company's website, investors can contact the Company at any time by email or other correspondence, and designated Company Officers are available to provide information to shareholders upon request.

General meetings of shareholders are an important avenue for communication with shareholders, and provide an opportunity for shareholders to meet with and question the Company's Directors and management. The Company's auditor attends the Company's Annual General Meeting and is available to answer questions about the conduct of the audit and the preparation and content of the Audit Report.

4.7 RECOGNISE AND MANAGE RISK

Risk identification and management

The Company places a high priority on risk identification and management throughout all of its business and operations and regularly evaluates the effectiveness of its risk management policies and framework.

The Company is continually identifying and targeting all significant business and strategic risks through a comprehensive risk management framework that focuses on improving internal controls and governance systems.

A key role of the Audit and Risk Committee is to monitor and report to the Board on the risk management practices and procedures implemented by the Company's managers. Management has conducted a strategic risk analysis with the assistance of external consultants which forms the basis of our risk management process.

A copy of the Risk Management Policy is available on the Company's website.

The Chief Executive Officer and Chief Financial Officer submit written statements to the Board confirming that the annual financial statements of the Company are, to the best of their knowledge, based on a sound system of risk management and internal controls which operate efficiently and effectively in all material respects.

4. CORPORATE GOVERNANCE (CONTINUED)

4.8 ENCOURAGE ENHANCED PERFORMANCE

Performance evaluation processes

The Chairman closely monitors the performance and actions of the Board. By way of discussion amongst the Chairman and members of the Board, the Board reviewed its overall performance and that of its committees and individual Directors, in a manner that was consistent with ASX Principle 8 and in conjunction with the Remuneration Committee. The performance of the Company's senior management is individually reviewed by the CEO on a six-monthly basis against performance targets aligned to their area of responsibility and the Company's overall objectives. On a 12-monthly basis the CEO and the Remuneration Committee review the performance of the entire senior leadership team.

Company Secretary and induction of new Directors

All Directors have access to the Company Secretary who is accountable to the Board on all governance matters, and have the opportunity to make regular visits to Company facilities to ensure a thorough understanding of operational and related Company issues. Any new Directors are taken through an appropriate induction process to ensure that they understand the nature of the business, current issues, corporate strategy and related issues.

4.9 REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration policies

In accordance with the Constitution, non-executive Directors are paid an annual fee for their service on the Board within the maximum aggregate sum for such Directors approved from time to time by shareholders. The current maximum aggregate sum is $567,000 per annum. During 2007, only the two independent non-executive Directors, Messrs Downing and Gardener, received fees. Non-executive Directors did not receive any options or bonus payments in 2007.

Further discussion of remuneration of the Company's Directors and senior officers, including structure of equity-based remuneration and the relationship between remuneration and performance, is set out in the Remuneration Report and the Notes to the Consolidated Financial Report.

Remuneration committee

The Company has established a formal Remuneration Committee. The members of the Remuneration Committee were four non-executive Directors:

- Tim D Downing (Chairman) (independent);
- Justin H Gardener (independent);
- Mike T Fries; and
- Shane O'Neill.

The majority of Directors in the committee are not independent Directors. However, the Board believes the committee works well and values the contribution of the two independent Directors, Messrs Downing and Gardener, on the committee.

Mr Downing was appointed Committee Chair and the Board considers Mr Downing to be a capable Committee Chairman, given his experience with the Company as an independent non-executive Director of the Company since 1999.

The Committee met twice in 2007. Qualifications of Committee members and their attendance at meetings are set out in the Directors Report and Directors' biographies section of this report.

The Committee is responsible for remuneration and performance reviews of the Board. The Remuneration Committee Charter sets out the Committee's operation, including its responsibility for evaluating the performance of the Board as a whole, and in particular the time required from non-executive Directors to adequately discharge their duties and whether Directors are satisfying this requirement. In conducting reviews of remuneration policy, the Committee obtains independent advice from external consultants and utilises benchmarks with comparable organisations.

Directors' Report (CONTINUED)

4. CORPORATE GOVERNANCE (CONTINUED)

4.10 RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Company's Code of Conduct sets out ethical and legal guidelines for employees and Directors in relation to dealings with external stakeholders, including such matters as privacy, occupational health and safety, dealing with related party transactions and compliance with applicable laws, and notification of breaches.

The Company also seeks to make a positive contribution to the welfare of the regional and rural communities in which it operates and contributes to a number of charitable causes in this regard, including sponsorship of the Bell Shakespeare Company, the AUSTAR for Communities and AUSTAR for Schools programmes.

A copy of the Employee Code of Conduct is available on the Company's website.

5. REMUNERATION REPORT – AUDITED

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION

The objective of the Consolidated entity's executive reward framework is to:

- attract and retain high performing staff; and
- reward them for performance that is consistent with the objectives determined by the Board of Directors.

In order to achieve these objectives the Board has established a Remuneration Committee to consider and recommend to the Board the appropriate compensation policies for all employees of the Consolidated entity including the key management personnel. The Remuneration Committee comprised four non-executive Directors: Tim Downing (Chair), Justin Gardener, Mike Fries and Shane O'Neill.

The Committee is responsible for the review of compensation packages and policies, in particular the compensation and incentive schemes of the Directors, the Chief Executive Officer ("CEO"), and the senior leadership team. In conducting reviews of compensation policy, the Committee obtains independent advice from external consultants and utilises benchmarks with comparable organisations.

COMPENSATION OF DIRECTORS

Under the Company's Constitution, the non-executive Directors may collectively be paid, as compensation for their services, a fixed sum not exceeding the total maximum sum determined by shareholders in a general meeting. The current total maximum sum is $567,000 per annum. Each independent Director currently receives $65,000 per annum plus superannuation.

FIVE HIGHEST PAID EXECUTIVES

The five highest paid executives under s300(A) of the Corporations Act were: Philip W Knox, Dana M Strong, Deanne E Weir, Nikki R Warburton and Dean E Walters.

COMPENSATION OF THE CEO, EXECUTIVES AND KEY MANAGEMENT PERSONNEL

Key Management Personnel (KMP) have the greatest authority for the planning, directing and controlling of activities of the Company and the Consolidated entity. KMP comprise the Directors and group executives.

The following were KMP of the Consolidated entity at any time during the reporting period and unless otherwise indicated, were KMP for the entire period:

a. Non-Executive Directors

John W Dick;
Tim D Downing (Deputy Chairman);
Michael T Fries (Chairman);
Justin H Gardener;
Shane O'Neill; and
Gene W Schneider.

5. REMUNERATION REPORT – AUDITED (CONTINUED)

COMPENSATION OF THE CEO, EXECUTIVES AND KEY MANAGEMENT PERSONNEL (CONTINUED)

b. Executive Director

John C Porter (Chief Executive Officer).

c. Executives

Philip W Knox (Chief Financial Officer);
Dana M Strong (Chief Operating Officer);
Nikki R Warburton (Group Director, Products Sales and Marketing);
Deanne E Weir (Group Director, Corporate, Development and Legal Affairs); and
Dean E Walters (Chief Information Officer, Director of Operations)[i].

(i) Dean E Walters is considered a KMP from 19 July 2007.

Compensation of the CEO, other KMP and the s300(A) executives comprises three elements:

- primary benefits including base pay, allowances, non-monetary benefits (including Fringe Benefits Tax ("FBT") thereon) and superannuation;
- short-term performance incentives being a cash bonus based on a fixed percentage of base pay and target Key Performance Indicators ("KPIs") being achieved; and
- long-term performance incentives including the Senior Management Team Share Plan and LTIP.

Base pay and allowances, included in the primary benefits amount, is determined with reference to market rates for similar roles and levels of responsibility.

Both the short-term and long-term incentive plans are performance linked as described below.

The payment of short-term incentives depend on the achievement of annual KPIs and the Consolidated entity's performance as against budget and prior year results. The KPIs for the CEO are determined by the Chairman of the Company in consultation with the Remuneration Committee. The CEO in consultation with the Remuneration Committee determines KPIs for the executives. The KPIs are derived from the annual budget approved by the Board of Directors. The KPIs include financial measures such as a growth in Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") and capital expenditure and non-financial measures such as subscriber growth and subscriber churn. Payment of short-term incentives is reviewed and approved by the Remuneration Committee.

Long-term performance incentives are designed to align the interests of the CEO, KMP and executives with those of the shareholders of the Company over the long term. The length of the vesting period encourages the beneficiaries to act in accordance with the long-term benefit of the Consolidated entity and shareholders rather than just short-term performance.

With the vesting of the B Class shares to occur in 2008, the Directors have reviewed the Consolidated entity's long-term incentive plans and during 2007 have implemented a new Long Term Incentive Plan ("LTIP"). The LTIP (detailed in Note 19(d)(iii)) and the B Class Shares (refer Note 20(c)) are an integral part of the Consolidated entity's performance incentives, and are accounted for and disclosed in accordance with their substance.

Directors' Report (CONTINUED)

5. REMUNERATION REPORT – AUDITED (CONTINUED)

COMPENSATION OF THE CEO, EXECUTIVES AND KEY MANAGEMENT PERSONNEL (CONTINUED)

c. Executives (continued)

Details of the nature and amount of each major element of the compensation of each Director of the Company, other KMP and each of the five named officers of the Consolidated entity receiving the highest compensation are:

Table of Directors Compensation

	SHORT-TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS							
Name	Salary & allowances $	Cash bonus[i] $	Non-monetary benefits & FBT thereon $	Superannuation $	Subtotal $	Share based remuneration (options)[ii] $	Share based remuneration (LTIP)[iii] $	Total $	% of cash bonus forfeited %	% of Total performance related %	Value of options as a % of Total %
Non-executive directors											
John W Dick[iv]	–	–	–	–	–	–	–	–	–	–	–
Tim D Downing	65,000	–	–	5,850	70,850	–	–	70,850	–	–	–
Michael T Fries[iv]	–	–	–	–	–	–	–	–	–	–	–
Justin H Gardener	65,000	–	–	5,850	70,850	–	–	70,850	–	–	–
Shane O'Neill[iv]	–	–	–	–	–	–	–	–	–	–	–
Gene W Schneider[iv]	–	–	–	–	–	–	–	–	–	–	–
Executive Director											
John C Porter	729,547	301,407	564,648	50,000	1,645,602	60,052	1,931,808	3,637,462	15%	64%	2%
Total Consolidated Entity	859,547	301,407	564,648	61,700	1,787,302	60,052	1,931,808	3,779,162			

Table of Executive Compensation and other Key Management Personnel (KMP) (excluding Directors)

	SHORT-TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS							
Name	Salary & allowances $	Cash bonus[i] $	Non-monetary benefits & FBT thereon $	Superannuation $	Subtotal $	Share based remuneration (options)[ii] $	Share based remuneration (LTIP)[iii] $	Total $	% of cash bonus forfeited %	% of Total performance related %	Value of options as a % of Total %
Five highest paid											
Philip W Knox	355,948	141,277	4,947	44,750	546,922	21,149	817,660	1,385,731	13%	72%	2%
Dana M Strong	316,176	129,462	97,257	31,724	574,619	21,149	1,196,595	1,792,363	15%	76%	1%
Nikki R Warburton	336,669	130,000	4,947	42,000	513,616	12,007	809,904	1,335,527	0%	72%	1%
Dean E Walters[v]	324,614	136,710	–	41,903	503,227	12,007	497,447	1,012,681	13%	65%	1%
Deanne E Weir	362,423	151,543	35,494	46,257	595,717	21,149	905,327	1,522,193	13%	72%	1%
Total Consolidated Entity (s300A)	1,695,830	688,992	142,645	206,634	2,734,101	87,461	4,226,933	7,048,495			

(i) Cash bonuses are determined on finalisation of the Consolidated entity's 31 December 2007 financial results and will be paid during 2008. Details of the annual short-term incentives are included in the section above.

(ii) Share-based payments – options

B Class Shares
The B Class Shares are treated as options. Refer to Note 20(c) of the Consolidated Financial Report for terms and conditions of the Share Plan. The value of the benefit attributed to the B Class Shares has been calculated using the principles of AASB 2 *Share-based payment*, using a Black-Scholes methodology. The benefit attributable to the B Class Shares is recognised on a time proportionate basis over the vesting period. The main assumptions are an exercise price of $0.3755 and a price of $0.3755 for the Ordinary Shares being the price on the date of issue of the B Class Shares, a volatility rate of 40% per annum and a risk free rate of 6.04%. The benefit of the limited recourse, interest-free loan attached to the shares is effectively included in the value of the options calculated above.

(iii) Share-based payments – LTIP

2007 Long Term Incentive Plan
During the year, the Consolidated entity instituted a new long-term incentive plan. Given the management restructure in 2006 and the vesting of the final options issued under the 2003 Senior Management Share Plan which will occur in April 2008, the Remuneration Committee has reviewed the Consolidated entity's on-going executive remuneration structure. Based on the recommendations of this review the board approved a new long-term incentive plan on 31 July 2007 which is based on the Liberty Global Senior Executive Performance Incentive Plan.

5. REMUNERATION REPORT – AUDITED (CONTINUED)

COMPENSATION OF THE CEO, EXECUTIVES AND KEY MANAGEMENT PERSONNEL (CONTINUED)

c. Executives (continued)

Table of Executive Compensation and other Key Management Personnel (KMP) (excluding Directors) (continued)

(iii) Share-based payments – LTIP (continued)

2007 Long Term Incentive Plan (continued)
Under the "2007 Long Term Incentive Plan" 25 Senior Executives are entitled to an award calculated on a two year performance period ending December 2008 and vesting in bi-annual tranches over the subsequent three year service period to September 2011. For the award to vest, the Consolidated entity must achieve a Compound Annual Growth Rate (CAGR) of at least 15% in Earnings before interest, taxation, depreciation and amortisation ("EBITDA") over the 2006 to 2008 performance period. The maximum award is payable if a CAGR of 20% is achieved. The plan can be settled either in shares or cash at the option of the Company. Subject to any necessary approvals the plan is expected to be paid out in shares, converted at the market price on each vesting date.

The 2007 Long Term Incentive Plan is accounted for as an equity settled share based payment under AASB 2 *Share-based payment*. No cash payments have been made.

The fair value was estimated at the date the participants were notified on 2 May 2007. The fair value is based on achieving the maximum 20% EBITDA CAGR target, estimated staff turnover of senior executives and a risk free rate of 6.06%. The fair value of the plan at inception totalled $38.5 million and is expensed on a time proportionate basis over the vesting periods for each tranche.

(iv) The non-executive Directors associated with UAP agreed to a waiver of fees.

(v) Dean Walters was a KMP from 19 July 2007 until 31 December 2007. For the period he was considered a KMP he received Salary & Allowances of $150,546, Cash Bonus of $61,800, Superannuation of $15,809 and Share-based payments for options of $5,428 and LTIP of $337,773.

(vi) Additional quantitative remuneration disclosures as required by AASB 124 are included in Note 28 of the financial statements.

ANALYSIS OF OPTIONS GRANTED AS REMUNERATION

All options refer to options over shares of Austar United Communications Limited which are exercisable on a one-for-one basis under the relevant share plan. Details of the options granted as remuneration to each Director of the Company, each of the five named Consolidated entity executives and other KMP is detailed below:

	EXECUTIVE DIRECTOR & KMP	KEY EXECUTIVES AND KEY MANAGEMENT PERSONNEL				
2007	John C Porter	Philip W Knox	Dana M Strong	Nikki R Warburton	Dean E Walters	Deanne E Weir
B Class Shares						
Opening and closing balance	14,010,670	4,934,337	4,934,337	2,801,346	2,801,346	4,934,337

No options were forfeited, or lapsed during 2007. No options vested during 2007. The remaining B Class Shares were not vested or exercisable at 31 December 2007. In addition, no options have been granted since the end of the financial year and none of the terms of the existing options have been amended in the current year or prior year.

RELATIONSHIP BETWEEN COMPENSATION AND THE CONSOLIDATED ENTITY'S PERFORMANCE

The table below sets out some indices in respect of the Consolidated entity's performance in the current financial year and the previous four financial years:

	2007[iv]	2006[iii]	2005	2004	2003[i]
EBITDA ($'000)[ii]	174,072	141,933	129,278	95,881	61,220
Profit ($'000)	77,307	210,192	60,593	10,435	3,802
Dividends paid	–	–	–	–	–
Change in share price	39%	25%	24%	132%	141%

(i) Results for 2003 are as reported in accordance with previous Australian GAAP prior to the implementation of AIFRS.
(ii) EBITDA excludes stock-based compensation, foreign exchange gain/(loss), share of associates profits and significant items.
(iii) 2006 change in share price adjusted for the $0.16 per share impact of the capital return.
(iv) 2007 change in share price adjusted for the $0.2368 per share impact of the capital return.

Having regard to these indices the Remuneration Committee considers that the performance based compensation policy is appropriate and is a relevant factor in the Consolidated entity's improved performance.

Directors' Report (CONTINUED)

5. REMUNERATION REPORT – AUDITED (CONTINUED)

SERVICE CONTRACTS

Executive Director, five highest paid Executives and Key Management Personnel

The Consolidated entity has entered into service contracts with the Executive Director and each Senior Executive as set out below:

Name	Duration and non compete clauses	Notice periods and termination payments
J C Porter	Five year term. Company may invoke a Restraint of Trade and No Poaching clause for a period of between 3–12 months in the case of where the Company instigates the termination. In the case of resignation, the Company may instigate a period of restraint and no poaching of up to three months.	Termination for serious misconduct – only normal statutory benefits. If termination for cause relates to a non-rectified material breach of performance conditions is entitled to a severance payment equal to one year compensation. Termination without cause – one months notice or payment of one month's salary. Also entitled to severance payment equal to two years compensation. In addition benefits then existing under any share plan that would have vested during the two year period vest on the date of termination.
D M Strong	Employment of a minimum three year term and is continuing. Company may invoke a Restraint of Trade and No Poaching clause for a period of between 3–12 months in the case where it instigates the termination. In the case of resignation, the Company may instigate a period of restraint and no poaching of up to three months.	Termination for cause – only normal statutory benefits. Termination without cause – one months notice or payment of one month's salary. Also entitled to a severance payment equal to three months compensation for each full year of employment up to equivalent of two years compensation. In addition the company will pay all repatriation expenses to the United States.
P W Knox, N R Warburton, D E Weir	No fixed term. Company may invoke a Restraint of Trade and No Poaching clause for a period of between 3–12 months in the case where it instigates the termination. In the case of resignation, the Company may instigate a period of restraint and no poaching of up to three months.	Termination for cause – only normal statutory benefits. Termination without cause – one months notice or payment of one month's salary. Also entitled to a severance payment equal to three months compensation for each full year of employment up to equivalent of two years compensation.
D E Walters	No fixed term. One month post employment restraint.	Employment notice period of four weeks. Redundancy entitlement as per company policy.

The employment contracts referred to above are currently on foot and variously part performed as to the duration of each of them.

All Directors and executives are employed by a subsidiary of the Company and therefore no remuneration disclosures have been included in the Remuneration Report with respect to the Company.

Non-executive Directors

There are no formal employment contracts for the non-executive Directors.

6. DIRECTORS' INTERESTS

The relevant interests of each Director in the share capital and options over the share capital of the Company, as notified by the Directors to the ASX in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report are:

	EXISTING ORDINARY SHARES		A CLASS SHARES	B CLASS SHARES
Director	Director interest	Director related party interest	Director interest	Director interest
John W Dick[(i),(ii)]	–	–	–	–
Tim D Downing	136,986	52,911	–	–
Michael T Fries[(i),(ii)]	–	–	–	–
Justin H Gardener	–	217,300	–	–
Shane O'Neill	–	–	–	–
John C Porter	2,524,229	1,524,900	–	14,010,670
Gene W Schneider[(i),(ii)]	–	–	–	–

(i) As at the date of this report John W Dick, Michael T Fries and Gene W Schneider were directors of companies that are indirect shareholders of companies comprising the Liberty Global, Inc. Group, which through its indirect holdings, owns 53.4% of the Ordinary Shares of the Company.

6. DIRECTORS' INTERESTS (CONTINUED)

(ii) As at the date of this report John W Dick, Michael T Fries and Gene W Schneider have the following direct or indirect interests in Liberty Global Inc, ("LGI");

	John W Dick	Michael T Fries	Gene W Schneider
LGI Series A Common	7,189	63,540	604,523
LGI Series A Common Restricted	–	25,757	–
LGI Series C Common	6,629	117,638	605,023
LGI Series C Common Restricted	–	25,757	–
LGI Series A Option	31,553	729,085	952,320
LGI Series C Option	31,553	529,085	952,320
LGI Series A Stock Appreciation Rights*	–	–	2,635
LGI Series C Stock Appreciation Rights*	–	–	2,635

* Upon exercise of stock appreciation rights (SARs), the appreciation of the SAR, which is the difference between the base price of the SAR and the then-market value of the underlying series of LGI common stock or in certain cases, if lower, a specified price, may be paid in shares of the applicable series of LGI common stock.

7. OPTIONS

As at the date of this report, two participants remain in the Executive Share Option Plan ("ESOP") and hold 50,000 options over unissued ordinary shares granted 20 July 1999 at an exercise price of $4.70 per ordinary share. These options have fully vested and have an exercise period of 10 years from the date of grant, subject to the terms of the ESOP. These options do not entitle the holder to participate in any share issue of the Company.

No options over unissued ordinary shares of the Company were granted to Directors or Officers of the Company and Consolidated entity during or since the end of the financial year.

8. PRINCIPAL ACTIVITIES

The principal activities of the Consolidated entity were the delivery of subscription television services, the development and distribution of television channels, provision of data services and mobile telephony services throughout regional Australia.

9. OPERATING AND FINANCIAL REVIEW

STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated entity during the course of the year were as follows:

- On 28 August 2007, the Consolidated entity refinanced its Senior Debt Facility with a selected syndicate of local and international banks. The Senior Debt Facility will allow the Consolidated entity access to $850,000,000, increased from $600,000,000, total debt made up of Senior and Revolving facilities.
- The Consolidated entity completed the redemption of the Subordinated Transferable Adjustable Redeemable Securities ("STARS") of $115,000,000 on 31 October 2007.
- On 1 November 2007, the Consolidated entity returned $299,880,000 (excluding costs of $262,000) by way of capital return to its ordinary shareholders by paying $0.2368 per ordinary share to shareholders holding shares on 24 October 2007.

YEAR ENDED 31 DECEMBER 2007 COMPARED TO YEAR ENDED 31 DECEMBER 2006

The Consolidated entity recorded a net profit of $77,307,000 for the current year (2006: $210,192,000) after recording an income tax expense of $7,424,000 (2006: Income tax benefit of $243,079,000 offset by a related goodwill adjustment expense of $84,165,000).

The Consolidated entity recorded revenue of $567,995,000 (2006: $502,775,000). Included in revenue for the current year is revenue from subscription services of $545,867,000 (2006: $485,774,000). Revenue from subscription services increased by approximately $60,093,000 primarily due to:

1. an increase in the average number of Television Subscribers during the current year as compared to the previous corresponding year; and
2. an increase in ARPU as a result of the impact of a price increase and uptake of additional services.

Directors' Report (CONTINUED)

9. OPERATING AND FINANCIAL REVIEW (CONTINUED)

YEAR ENDED 31 DECEMBER 2007 COMPARED TO YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

	SUBSCRIBERS	
Service	as at 31 December 2007	as at 31 December 2006
Television	668,786	601,126
Data	23,343	29,308
Mobile	25,496	30,768

Television Subscribers have increased in the current year by 67,660 from 601,126 as at 31 December 2006. Subscriber Churn averaged 1.23% per month (2006: 1.30% per month).

Programming and communication expenses have increased by $32,068,000 to $258,488,000 for the current year (2006: $226,420,000) due to a higher subscriber base which is reflected in increased programming. Expenses have increased by $8,880,000 to $206,465,000 for the current year (2006: $197,585,000) due to increased share-based payment expense as a result of the new long-term incentive plan.

Net financing costs have decreased by $8,096,000 to $24,851,000 as compared to the prior year (2006: $32,947,000) due to gains on interest rates swap mark-to-market of $20,642,000 offset by additional borrowings to fund the capital return. Included in borrowing costs is $2,332,000 in amortisation of deferred financing charges (2006: write-off of unamortised costs $4,677,000 and amortisation of deferred financing charges $2,582,000).

The Consolidated entity recorded a net income tax expense of $7,424,000 in the current year (2006: net income tax benefit of $243,079,000). The prior year included a benefit of $240,938,000 as a result of the recognition of temporary differences and carry forward losses not previously brought to account.

FINANCING AND INVESTING ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2007

During the current year the Consolidated entity incurred capital expenditure of $112,803,000 (2006: $95,204,000). The capital expenditure was primarily used in installation costs for new Television Subscribers including the purchase of new set top box equipment.

On 28 August 2007 the Consolidated entity refinanced its Senior Debt Facility by increasing the borrowing capacity from $600,000,000 to $850,000,000. The incidental costs incurred in entering the Senior Debt Facility of $2,797,000 are being deferred and amortised over the term of the Senior Debt Facility. As at 31 December 2007, the Consolidated entity has $105,587,000 of available liquidity comprising cash at bank including restricted cash of $30,514,000 and undrawn facilities of $75,073,000.

The Consolidated entity completed the redemption of the Subordinated Transferable Adjustable Redeemable Securities (STARS) of $115,000,000 on 31 October 2007.

10. DIVIDENDS AND DISTRIBUTIONS

On 1 November 2007, the Consolidated entity returned $299,880,000 to shareholders by way of capital return, paying $0.2368 per ordinary share.

No dividends of the Company have been paid, declared or recommended during or since the end of the year.

11. ENVIRONMENTAL REGULATION

The Consolidated entity's operations are not subject to significant environmental regulation. The Company's Directors are not aware of any environmental breaches during the year.

12. EVENTS SUBSEQUENT TO BALANCE DATE

SALE OF SPECTRUM LICENCES

On 7 January 2008, the Consolidated entity announced the sale of its spectrum licence holdings to the OPEL venturers. Under the deal which is subject to various conditions precedent, the Consolidated entity will receive $65 million on completion.

13. LIKELY DEVELOPMENTS

The Consolidated entity will continue to provide and to expand the provision of its pay television, interactive television, data, and voice services in Australia through its controlled entities and associated entities. The Company will continue to invest in those areas of service that the Directors believe will provide sound returns.

14. INDEMNIFICATION AND INSURANCE OF OFFICERS

The constitution of the Company provides that the Company must indemnify its Directors and officers for losses and liabilities incurred by them in that capacity where civil or criminal proceedings are successfully defended or for successful applications for relief under the Corporations Act 2001.

Indemnities have been provided to certain Directors and executive officers of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known liabilities outstanding at 31 December 2007.

The Company has entered into a Directors and Officers Liability insurance policy for a period of 16 months expiring on 1 September 2008. It is the Company's intention to renew this policy once expired.

15. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in Note 8 to the Consolidated Financial Report.

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

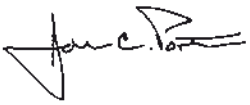
The lead auditor's independence declaration is set out on page 28 and forms part of the Directors' report for financial year ended 31 December 2007.

17. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Consolidated Financial Report and the Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Mr Michael T Fries
Chairman



Mr John C Porter
Director

26 February 2008

Lead Auditor's Independence Declaration

under section 307C of the Corporations Act 2001

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Austar United Communications Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kenneth Reid
Partner

Sydney
26 February 2008

Austar United Communications Limited and its Controlled Entities

Income Statements

for the year ended 31 December 2007

	Note	CONSOLIDATED Dec 2007 $'000	CONSOLIDATED Dec 2006 $'000	COMPANY Dec 2007 $'000	COMPANY Dec 2006 $'000
Revenue	2	567,995	502,775	3	5
Programming and communication expenses	3	(258,488)	(226,420)	–	–
Gross margin		309,507	276,355	3	5
Expenses, excluding net financing costs	3	(206,465)	(197,585)	62,635	(10,073)
Net financing (costs)/income	4	(24,851)	(32,947)	(5,182)	2,307
Share of net profit of investments accounted for using the equity method	25	6,540	5,455	–	–
Profit/(Loss) before income tax and goodwill adjustment		**84,731**	**51,278**	**57,456**	**(7,761)**
Goodwill adjustment resulting from the recognition of income tax benefit	13(i)	–	(84,165)	–	–
Profit/(Loss) before tax		**84,731**	**(32,887)**	**57,456**	**(7,761)**
Income tax (expense)/benefit	5(a)	(7,424)	243,079	–	–
Profit/(Loss) for the year		**77,307**	**210,192**	**57,456**	**(7,761)**
Basic earnings per share from continuing operations	6	$0.061	$0.168	–	–
Diluted earnings per share from continuing operations	6	$0.059	$0.162	–	–

The accompanying notes on pages 33 to 79 form an integral part of these Consolidated Financial Statements.

Austar United Communications Limited and its Controlled Entities

Statements of Recognised Income and Expense

for the year ended 31 December 2007

		CONSOLIDATED		COMPANY	
	Note	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Profit/(Loss) for the year		77,307	210,192	57,456	(7,761)
Total recognised income and expense for the year		**77,307**	**210,192**	**57,456**	**(7,761)**

Other movements in equity arising from transactions with owners as owners are set out in Note 20 and 21.

The accompanying notes on pages 33 to 79 form an integral part of these Consolidated Financial Statements.

Austar United Communications Limited and its Controlled Entities

Balance Sheets

as at 31 December 2007

	Note	CONSOLIDATED Dec 2007 $'000	CONSOLIDATED Dec 2006 $'000	COMPANY Dec 2007 $'000	COMPANY Dec 2006 $'000
CURRENT ASSETS					
Cash and cash equivalents	23(a)	30,514	27,210	251	36
Trade and other receivables	9	29,577	24,755	65,854	16,135
Fair value derivatives	26(f)	–	303	–	–
Assets held for sale	13	9,024	–	–	–
Total current assets		69,115	52,268	66,105	16,171
NON-CURRENT ASSETS					
Receivables	10	179	–	3,535	44,320
Investments accounted for using the equity method	25(a),(b)	42,010	40,310	–	–
Other investments	11	–	–	877,551	877,550
Property, plant and equipment	12	186,488	149,268	3	5
Intangible assets	13	23,831	14,976	–	–
Deferred tax assets	14	253,104	260,520	–	–
Fair value derivatives	26(f)	24,877	4,235	–	–
Total non-current assets		530,489	469,309	881,089	921,875
TOTAL ASSETS		**599,604**	**521,577**	**947,194**	**938,046**
CURRENT LIABILITIES					
Trade and other payables	15	84,379	66,455	1,364	3,976
Employee benefits	19	6,032	5,670	–	–
Provisions	17	368	80	–	–
Fair value derivatives	26(f)	3,511	2,022	–	–
Other current liabilities	18	2,499	1,694	–	–
Total current liabilities		96,789	75,921	1,364	3,976
NON-CURRENT LIABILITIES					
Interest bearing loans and borrowings	16	762,698	493,235	–	113,636
Employee benefits	19	1,160	2,200	–	–
Provisions	17	3,741	3,019	–	–
Fair value derivatives	26(f)	389	489	–	–
Other non-current liabilities	18	2,726	2,171	370,364	12,254
Total non-current liabilities		770,714	501,114	370,364	125,890
TOTAL LIABILITIES		**867,503**	**577,035**	**371,728**	**129,866**
NET (LIABILITIES)/ASSETS		**(267,899)**	**(55,458)**	**575,466**	**808,180**
EQUITY					
Issued capital	20	601,261	901,223	601,261	901,223
Reserves	22	(458)	(880)	–	–
Accumulated losses	21	(868,702)	(955,801)	(25,795)	(93,043)
TOTAL EQUITY		**(267,899)**	**(55,458)**	**575,466**	**808,180**

The accompanying notes on pages 33 to 79 form an integral part of these Consolidated Financial Statements.

Austar United Communications Limited and its Controlled Entities

Statements of Cash Flows

for the year ended 31 December 2007

	Note	CONSOLIDATED Dec 2007 $'000	CONSOLIDATED Dec 2006 $'000	COMPANY Dec 2007 $'000	COMPANY Dec 2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		614,535	544,649	–	–
Cash paid to suppliers and employees		(421,976)	(388,675)	(3,488)	(6,227)
Net GST paid		(17,723)	(15,355)	–	–
Cash generated from operations		**174,836**	**140,619**	**(3,488)**	**(6,227)**
Interest received		2,218	4,296	–	21
Income tax refund/(payments)	5(c)	461	(648)	–	–
Interest payments		(36,771)	(32,929)	(15,926)	(11,011)
Net cash from/(used in) operating activities	23(b)	**140,744**	**111,338**	**(19,414)**	**(17,217)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(109,872)	(91,646)	–	–
Proceeds from sale of property, plant and equipment		14	62	–	–
Loans from/(to) controlled entities		–	–	434,591	211,597
Net cash (used in)/from investing activities		**(109,858)**	**(91,584)**	**434,591**	**211,597**
CASH FLOWS FROM FINANCING ACTIVITIES					
Return of capital	20(d)	(299,880)	(201,603)	(299,880)	(201,603)
Return of capital costs		(262)	(84)	(262)	(84)
Proceeds from borrowings		408,594	198,667	–	–
Redemption of STARS		(115,000)	–	(115,000)	–
Repayment of borrowings		(23,667)	(14,440)	–	–
Financing costs		(2,797)	(9,368)	–	–
Net proceeds from the issue of shares under the employee share plans		180	7,308	180	7,308
Related entity loan receipts		5,250	3,614	–	–
Net cash (used in) financing activities		**(27,582)**	**(15,906)**	**(414,962)**	**(194,379)**
Net increase in cash and cash equivalents		**3,304**	**3,848**	**215**	**1**
Cash at 1 January		27,180	23,333	6	6
Restricted cash at 1 January		30	29	30	29
		27,210	**23,362**	**36**	**35**
Cash at 31 December		29,847	27,180	219	6
Restricted cash at 31 December		667	30	32	30
Cash and cash equivalents at 31 December	23(a)	**30,514**	**27,210**	**251**	**36**
Total cash and available facilities:					
Cash and cash equivalents at 31 December		30,514	27,210		
Undrawn financing facilities	16(i)	75,073	127,165		
Total cash and available facilities		**105,587**	**154,375**		

The accompanying notes on pages 33 to 79 form an integral part of these Consolidated Financial Statements.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Austar United Communications Limited (the "Company") is a company domiciled in Australia. The Consolidated Financial Report of the Company as at, and for the year ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "Consolidated entity") and the Consolidated entity's interest in associates and jointly controlled entities.

The Consolidated Financial Report was authorised for issue by the Directors on 26 February 2008.

A. STATEMENT OF COMPLIANCE

The Consolidated Financial Report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

The financial reports of the Consolidated entity and the Company also comply with IFRS and interpretations adopted by the International Accounting Standards Board.

B. BASIS OF PREPARATION

The Consolidated Financial Report is prepared in Australian dollars which is the Consolidated entity's functional currency and is prepared using the historical cost convention, except for derivative financial instruments that are measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial Report and have been consistently applied by each entity in the Consolidated entity.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the Consolidated Financial Report and the Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The preparation of a Consolidated Financial Report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The following standards have been early adopted for the 31 December 2007 Consolidated Financial Report:

- AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* has included options that currently exist under IFRSs in AASBs and eliminated additional Australian disclosures, other than those considered particularly relevant in the Australian reporting environment. The impact of this for the Consolidated entity is the removal of certain disclosures in relation to associates and joint ventures.

The following standards, amendments to standards and interpretations are available for early adoption at 31 December 2007, but have not been applied in preparing this Consolidated Financial Report. These standards will be applied from their application date:

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8 requires the disclosure of segment information based on the internal reports reviewed. Under the management approach, the Consolidated entity will present one segment in respect of subscription services.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions or events that are required by other AASBs. The revised AASB 101 will become mandatory for the Consolidated entity's 31 December 2009 financial statements. The Consolidated entity has not yet determined the potential effect of the revised standard on the Consolidated entity's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Consolidated entity's 31 December 2009 financial statements and will constitute a change in accounting policy for the Consolidated entity. In accordance with the transitional provisions the Consolidated entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are entities controlled by the Consolidated entity. Control exists when the Consolidated entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Consolidated Financial Report from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at cost in the Company's financial report.

Associates

Associates are those entities in which the Consolidated entity has significant influence, but not control, over the financial and operating policies. The Consolidated Financial Report includes the Consolidated entity's share of the income and expenses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Consolidated entity's share of losses exceeds its interest in an associate, the Consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Joint ventures

Joint ventures are those entities over whose activities the Consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

Jointly controlled entities

In the Consolidated Financial Report, investments in jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in the consolidated income statement from the date joint control commenced until the date joint control ceases.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Consolidated Financial Report.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Consolidated entity's interest in the entity.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the Consolidated entity's interest in such entities is disposed of.

D. FOREIGN CURRENCY

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

E. DERIVATIVE FINANCIAL INSTRUMENTS

The Consolidated entity is exposed to changes in interest rates and foreign exchange rates from its operational, financial and investment activities. Pursuant to the terms of the Senior Debt Facility the Consolidated entity is required to use derivative financial instruments to hedge its exposure to these risks. In accordance with its treasury policy, the Consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments are recognised initially at fair value and attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

The fair value of interest rate swaps is the estimated amount that the Consolidated entity would receive or pay to terminate the swap at the balance sheet date taking into account current interest rates and the current credit worthiness of the swap counter parties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. For separable embedded derivatives changes in the fair value are recognised immediately in profit or loss.

F. PROPERTY, PLANT AND EQUIPMENT

i. Owned assets

Items of property, plant and equipment are stated at cost, being the fair value of the consideration paid plus incidental costs directly attributable to the acquisition, less accumulated depreciation (see below) and impairment losses (see accounting policy (j)). Included in property, plant and equipment is subscriber equipment comprising set top boxes.

All subscriber equipment remains the property of the Consolidated entity after installation and is recovered if the subscriber contract is terminated and as such is included in property, plant and equipment, not inventory.

ii. Subsequent costs

The Consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

iii. Leased assets

Leases in terms of which the Consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating lease assets are not capitalised and payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

iv. Leasehold improvements

Expenditure to improve premises occupied pursuant to an operating lease is capitalised. In addition to the direct costs of improving the premises and the associated labour costs, the cost of leasehold improvements includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

v. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the time an item is ready for use. The estimated useful lives in the current and comparative periods are as follows:

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

v. Depreciation (continued)

Asset Category	Rate 2007	Rate 2006
Subscriber equipment	20%	20%
Installation costs	20%	20%
Leasehold improvements	15%–33.3%	15%–33.3%
Plant and equipment	10%	10%
Furniture and fittings	10%–33.3%	10%–33.3%

Depreciation methods and useful lives, as well as residual values, are reassessed annually.

G. INTANGIBLE ASSETS

i. Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy (j)). In respect of associates and jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the investment in the associate or the jointly controlled entity.

ii. Radio spectrum licences

Radio spectrum licences acquired by the Consolidated entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (j)).

iii. Capitalised development costs

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Consolidated entity has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, licences for applications and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below and impairment losses (see accounting policy (j)).

iv. Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

v. Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

Asset Category	Rate 2007	Rate 2006
Software and applications including billing system	33.3%–50%	33.3%–50%
Radio spectrum licences	10%–33.3%	10%–33.3%
Capitalised development costs	33.3%–50%	33.3%–50%

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. INTANGIBLE ASSETS (CONTINUED)

vi. Intangible assets held for sale

Intangible assets expected to be recovered primarily through sale rather than through continued use are classified as held for sale and disclosed as current assets. Amortisation of the asset ceases when classified as held for sale. Prior to classification as held for sale, the asset carrying values are re-assessed including previous impairment reversals, and thereafter, are measured at the lower of their carrying value and fair value less costs to sell.

H. TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (j)).

I. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits.

J. IMPAIRMENT

The carrying amounts of the Consolidated entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (refer below).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

i. Calculation of recoverable amount

Trade debtors are initially recorded at the amount of contracted sales proceeds and terms of settlement are 21 days from the date of invoice. Provisions for impairment are recognised to the extent that recovery of the outstanding receivable is considered less than probable. Any provision established is based on a review of all outstanding amounts at balance date. Significant receivables are individually assessed for impairment. Non-significant receivables are collectively assessed based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date. These receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

ii. Reversals of impairment

An impairment loss in respect of other receivables carried at amortised cost is reversed where there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. CONVERTIBLE NOTES

i. Convertible notes acquired

The Company holds convertible debentures in two of its controlled entities. Conversion of the debentures by the Company is permitted at any time provided conversion would not result in the breach of any statute by the Company or any other person. Additionally, conversion of the debentures by the issuers is allowed with the consent of the Company. These debentures are classified as part of the investments in controlled entities.

L. INTEREST BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

M. EMPLOYEE BENEFITS

i. Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

ii. Long service leave

The Consolidated entity's net obligation in respect of long service leave benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increase in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to Commonwealth Government Bonds at the balance sheet date which have maturity dates approximating to the terms of the Consolidated entity's obligations.

iii. Share based payment transactions

B Class Shares

The Senior Management Team were issued A and B Class Shares of the Company pursuant to the terms of the Senior Management Share Plan (the "Share Plan"). The A and B Class shares are convertible into ordinary shares of the Company upon certain vesting conditions being met and on payment of the exercise price. The A and B Class shares are considered to be options for accounting purposes.

The fair value of options granted is recognised, as an employee expense with a corresponding increase in retained earnings. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes methodology, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving the threshold for vesting.

LTIP

The 2007 Long Term Incentive Plan is accounted for as an equity settled share-based payment. The fair value is estimated at the date the participants were notified of the plan and is expensed on a time proportionate basis over the vesting periods for each tranche with a corresponding increase in retained earnings.

iv. Superannuation plans

Employee superannuation plans exist to provide benefits for employees upon retirement, disability or death. The contributions made to these funds by the Consolidated entity are charged to the Income Statement on an accruals basis.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. PROVISIONS

A provision is recognised in the balance sheet when the Consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

i. Make good obligation

The make good provision is the best estimate of the present value of the expenditure required to restore leasehold premises to their original condition at the balance sheet date, as required by the operating lease agreement. The provision is calculated on the basis of discounted net future cash flows, using the interest rate implicit in the lease. The provision is reviewed annually and any changes are reflected in the present value of the make good provision at the end of the reporting period.

O. TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost.

P. REVENUE RECOGNITION

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

i. Subscription revenue

Monthly service revenues from the Consolidated entity's subscription television, telephony, data services and programming businesses are recognised as revenue in the period the related services are provided to the subscribers. Revenues and commissions received in advance are treated as unearned income in the balance sheet.

ii. Advertising revenue

The Consolidated entity derives revenue from the sale of airtime on its subscription television platform and from the sale of space in its subscription television guide. Advertising revenue is recognised in the month in which the advertisement is aired or circulated.

iii. Sale of mobile telephone handsets

Revenue from the sale of mobile telephone handsets is separated from the service contract and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, in so far as it is not contingent on future airtime revenue. The amount of revenue brought to account is the fair value of the handset, less any contingent revenue. Future cash flows are discounted at an appropriate discount rate to reflect the payment over the terms of the contract. Handset costs are expensed as incurred.

Q. INCOME TAX

Income tax on the profit/(loss) for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. No temporary differences are recognised on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. INCOME TAX (CONTINUED)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly owned subsidiaries have decided not to enter into the tax consolidation regime at this stage.

R. NET FINANCING COSTS

Net financing costs comprise interest expense less interest income. Interest expense includes interest on borrowings and the amortisation of related financing costs calculated using the effective interest rate method and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (e)) using the effective interest rate method.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

S. SEGMENT REPORTING

A segment is a distinguishable component of the Consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

T. GOODS AND SERVICES TAX ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as an expense.

Receivables and payables are stated with the GST amount included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from Investing and Financing activities which are recoverable from, or payable to, the ATO are classified as Operating cash flows.

U. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net profit/(loss) attributable to members of the Company for the reporting period, after excluding any costs of servicing equity by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the basic EPS earnings adjusted for the effects of all dilutive potential ordinary shares which comprise convertible notes and share options granted to employees, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

V. SHARE CAPITAL

i. Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

ii. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

iii. Capital return

When the Consolidated entity makes a capital return, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

NOTE 2. REVENUE

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Revenue includes the following items:				
Subscription services	545,867	485,774	3	5
Sale of guides	12,431	10,758	–	–
Advertising	9,396	5,821	–	–
Other	301	422	–	–
Total revenue	**567,995**	**502,775**	**3**	**5**

NOTE 3. EXPENSES

Expenses (by nature) include the following items:

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Programming and communication expenses:				
Programming costs	225,259	189,926	–	–
Network and carriage costs	20,596	21,535	–	–
Guide costs	10,650	10,659	–	–
Cost of mobile handsets	1,983	4,300	–	–
Total programming and communication expenses	258,488	226,420	–	–
Expenses excluding depreciation and net financing costs:				
Salaries and labour related costs	74,464	71,057	–	–
Advertising and marketing expenses	21,002	22,362	–	–
Service and maintenance costs	13,198	12,193	–	–
Equity-settled share-based payments	10,223	249	–	–
Billing and collection costs	7,789	7,353	–	–
Property and outgoings	4,683	4,351	–	–
Professional, consulting and registry fees	4,071	4,560	44	2,936
Bad debts expense	3,177	2,923	–	–
Management fees	2,866	3,210	2,866	3,210
Telephone and internet costs	2,816	2,791	–	–
Business travel and related costs	1,985	2,205	–	–
Other expenses	1,509	1,411	–	409
Loss on foreign exchange	1,402	2,381	(4)	(56)
Gain on sale of TVSN and Expo	(410)	–	–	–
Loss on disposal of property, plant and equipment	12	6	–	–
Increase/(decrease) of controlled entities provision for receivables	–	–	(65,543)	3,571
Total expenses excluding depreciation and amortisation and net financing costs	148,787	137,052	(62,637)	10,070

NOTE 3. EXPENSES (CONTINUED)

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Depreciation and amortisation:				
– plant and equipment	56,622	52,695	2	3
– leasehold improvements	737	2,795	–	–
– radio Spectrum licences	326	528	–	–
– spectrum licences impairment reversal	(5,000)	–	–	–
– other intangible assets	4,993	4,515	–	–
Total depreciation and amortisation expense	57,678	60,533	2	3
Total expenses excluding net financing costs and programming and communication expenses	206,465	197,585	(62,635)	10,073
Total expenses excluding net financing costs	**464,953**	**424,005**	**(62,635)**	**10,073**

NOTE 4. NET FINANCING COSTS/(INCOME)

		CONSOLIDATED		COMPANY	
	Note	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Net interest expense payable to third parties		44,863	29,446	9,744	11,153
Amortisation of capitalised borrowing costs		2,332	2,582	1,556	1,113
Amortisation of hedge reserve		422	817	–	–
Write-off of capitalised financing costs on refinancing		–	4,677	–	–
Net interest expense payable to related parties	27(d)	–	1,262	4,204	119
Financial expenses		47,617	38,784	15,504	12,385
Interest income from third parties		(1,557)	(1,551)	–	(21)
Interest income from related parties	27(a),(b)	(567)	(997)	–	(14,671)
Net gain on fair value derivatives		(20,642)	(3,289)	–	–
Recharge of interest from related parties		–	–	(10,322)	–
Financial income		(22,766)	(5,837)	(10,322)	(14,692)
Net financing costs/(income)		**24,851**	**32,947**	**5,182**	**(2,307)**

NOTE 5. INCOME TAX

A. INCOME TAX EXPENSE

Recognised in the income statement

	Note	CONSOLIDATED Dec 2007 $'000	CONSOLIDATED Dec 2006 $'000	COMPANY Dec 2007 $'000	COMPANY Dec 2006 $'000
Current tax (expense)/benefit					
Current year		(2)	–	–	–
Adjustments for prior years	5(c)	(6)	713	–	–
		(8)	713	–	–
Deferred tax expense					
Origination and reversal of tax losses and other temporary differences		(7,116)	242,366	–	–
Adjustments for prior years		(300)	–	–	–
		(7,416)	242,366	–	–
Total income tax (expense)/benefit in income statement		**(7,424)**	**243,079**	**–**	**–**

Numerical reconciliation between tax benefit and profit before income tax

	Note	CONSOLIDATED Dec 2007 $'000	CONSOLIDATED Dec 2006 $'000	COMPANY Dec 2007 $'000	COMPANY Dec 2006 $'000
Profit/(Loss) before tax		84,731	(32,887)	57,456	(7,761)
Income tax (expense)/benefit using the domestic corporation tax rate of 30% (2006: 30%)		(25,419)	9,866	(17,237)	2,328
(Increase)/decrease in income tax expense due to:					
– other non-deductible expenses		(50)	(820)	–	(67)
– non assessable profit on impairment reversal		1,500	–	18,602	(1,071)
– share of equity accounted profits and gain on sale of investment	25	2,085	1,637	–	–
– non-deductible goodwill adjustment	13(i)	–	(25,249)	–	–
– benefit of tax losses and other temporary differences not previously brought to account now recognised	5(b)	16,793	240,938	–	–
– utilisation of tax losses not previously brought to account		911	18,671	–	–
– current year losses and other temporary differences for which no deferred tax asset was recognised		(2,938)	(2,677)	(1,365)	(1,190)
		(7,118)	242,366	–	–
(Under)/Over provided in prior year		(306)	713	–	–
Income tax (expense)/benefit on profit before income tax		**(7,424)**	**243,079**	**–**	**–**

B. BENEFIT OF INCOME TAX LOSSES BROUGHT TO ACCOUNT

As at December 2007 the Consolidated entity has continued to recognise a deferred tax asset of $203,988,000 (2006: $216,403,000) (see Note 14) relating to $679,960,000 (2006: $721,343,000) of unused tax losses for CTV Pty Ltd and STV Pty Ltd which conduct the television services businesses. The Directors believe that it is probable that currently these entities satisfy the same business test rules in respect of these losses. While all of these losses will not be utilised for a significant period, based on current knowledge of future events the Directors believe that it is probable that sufficient future taxable profits will be generated to offset unused tax losses.

NOTE 5. INCOME TAX (CONTINUED)

B. BENEFIT OF INCOME TAX LOSSES BROUGHT TO ACCOUNT (CONTINUED)

Other entities in the consolidated group have revenue tax losses of approximately $168,670,000 (2006: $147,988,000). The benefit of these losses has not been brought to account as a future economic benefit because it is not believed probable based on current knowledge of future events that taxable profits will be generated to offset these unused tax losses.

Income tax benefits both recognised and unrecognised will only be obtained if:

i. the conditions for deductibility imposed by tax legislation continue to be complied with. This will include the ability of the losses to satisfy the same business test rules;

ii. the relevant entity derives future taxable income of a nature and an amount sufficient to enable the tax losses to be utilised; and

iii. no changes in tax legislation adversely affect the realisation of the benefit from the deduction of the loss. As noted below the date that the Company and its wholly owned subsidiaries decide to enter the tax consolidation regime and the application of the tax legislation at the time may impact on the ability to utilise the tax losses.

To better utilise tax losses, the Company and its wholly owned Australian subsidiaries have decided not to enter into tax consolidation at this stage.

The consequences of not entering into tax consolidation currently are as follows:

i. income or capital gains generated in entities without accumulated tax losses will give rise to tax payable; and

ii. dividend payments, if any, made between wholly owned subsidiaries will be taxable to the extent they are unfranked.

The Consolidated entity will continue to evaluate on an ongoing basis whether or not it should enter into tax consolidation, depending on the facts and circumstances that may arise.

C. CURRENT TAX (RECEIVABLE)/LIABILITY

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Balance at beginning of year	(469)	892	–	–
Current year's income tax expense on profit for the year	2	–	–	–
Tax refunds/(payments) received during the year	461	(648)	–	–
Under/(Over) provision in respect of prior years	6	(713)	–	–
	–	**(469)**	**–**	**–**

NOTE 6. EARNINGS PER SHARE:

BASIC AND DILUTED EARNINGS PER SHARE

	CONSOLIDATED	
	Dec 2007	Dec 2006
Basic earnings per share	**$0.061**	$0.168
Diluted earnings per share	**$0.059**	$0.162

a. Earnings reconciliation

	CONSOLIDATED	
	Dec 2007 $'000	Dec 2006 $'000
Net profit and basic earnings	77,307	210,192
After tax effect of interest on convertible notes	–	76
Diluted earnings	**77,307**	**210,268**

b. Weighted average number of ordinary shares (basic)

	CONSOLIDATED	
	Dec 2007 Number of Shares	Dec 2006 Number of Shares
	1,266,352,570	**1,254,023,108**

c. Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares (basic)	1,266,352,570	1,254,023,108
Potential ordinary shares:[i]		
– effect of A Class Shares	–	5,507,899
– effect of B Class Shares	42,177,737	37,225,497
– effect of Convertible notes	–	4,007,351
Weighted average number of ordinary shares (diluted)	**1,308,530,307**	**1,300,763,855**

(i) The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options and convertible notes was based on quoted market prices for the period outstanding.

NOTE 7. SEGMENT INFORMATION

Segment information is presented in respect of the Consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format is based on the Consolidated entity's management and internal reporting structure.

BUSINESS SEGMENTS

The Consolidated entity comprises one business segment:

- Subscription services
  Subscription services represent subscription television distribution operations, internet, interactive television and mobile telephony operations. The Directors consider that the Consolidated entity operates in one principal business segment as the services and their subscribers are similar in nature and use similar methods to acquire and service those subscribers.

GEOGRAPHICAL SEGMENTS

The Consolidated entity operates in one geographical area, being Australia.

NOTE 8. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	Dec 2007 $	Dec 2006 $
Audit services:		
Auditors of the Company – KPMG Australia		
– Audit and review of the half year and year end financial reports	533,000	516,000
– US GAAP audit and Sarbanes Oxley audit services	439,000	722,000
– other regulatory audit services	17,000	19,000
Other non-audit services:		
Auditors of the Company – KPMG Australia		
– other assurance services[i]	30,000	30,000
Overseas KPMG Firm:		
– taxation services (KPMG US)	3,000	7,000
	1,022,000	**1,294,000**

The Company does not record a net audit fee expense, as all audit remuneration is recharged across the controlled entities within the Consolidated entity.

(i) Other services include costs associated with the provision of accounting advice and bank covenant review.

NOTE 9. CURRENT TRADE AND OTHER RECEIVABLES

		CONSOLIDATED		COMPANY	
	Note	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Trade receivables		26,336	20,362	–	–
Provision for impairment losses		(744)	(882)	–	–
Trade receivables, net		**25,592**	**19,480**	**–**	**–**
Trade amounts owing by related parties:					
– wholly owned entities		–	–	4,093	4,093
– ultimate controlling entity	27(d)	–	658	–	658
– joint venture entities	27(b)	1,703	562	–	–
– associated entities	27(c)	–	191	–	–
Impairment losses		–	–	(375)	(375)
Net amounts due from related parties		**1,703**	**1,411**	**3,718**	**4,376**
Non trade advances to controlled entities		–	–	62,010	11,664
Other debtors		107	854	–	–
Prepaid expenses		2,175	2,541	126	95
Tax receivable	5(c)	–	469	–	–
Total current trade and other receivables		**29,577**	**24,755**	**65,854**	**16,135**

TRADE AND OTHER RECEIVABLES

The Consolidated entity's exposure to credit risk is mainly influenced by the individual characteristics of each retail customer. Credit risk is monitored on an outstanding debt basis and follows a strong and rigorous policy.

The Consolidated entity and Company have established an allowance for impairment that represents the estimate of incurred losses in respect of trade and other receivables. The components of this allowance are: specific losses that relates to individually significant exposures; and a collective loss established for similar debtors in respect of losses that have been incurred but not yet identified based on historical payments.

NOTE 9. CURRENT TRADE AND OTHER RECEIVABLES (CONTINUED)

TRADE AND OTHER RECEIVABLES (CONTINUED)

The aging of the Consolidated entity's trade receivables as at the reporting date was:

	CONSOLIDATED	
	Dec 2007 $'000	Dec 2006 $'000
Current	23,479	17,420
Past due 0–30 days	2,293	2,372
Past due 31–120 days	564	570
	26,336	20,362

The Company does not hold any receivables that are past due (2006: nil). The Company has a significant concentration of credit risk relating to a receivable from Austar United Broadband Limited of $62,010,000 (2006: nil). As a result of the spectrum licence sale (refer to Note 30), the Company expects full repayment within the next 12 months.

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

	CONSOLIDATED	
	Dec 2007 $'000	Dec 2006 $'000
Balance at 1 January	(882)	(523)
Bad debts expense	(3,177)	(2,923)
Impairment loss utilised	3,315	2,564
Balance at 31 December	(744)	(882)

NOTE 10. NON-CURRENT RECEIVABLES

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Advances to controlled entities	–	–	285,680	392,008
Provision against carrying value of advances	–	–	(282,145)	(347,688)
Other non current receivables	179	–	–	–
	179	**–**	**3,535**	**44,320**

NOTE 11. OTHER INVESTMENTS

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Investments in controlled entities – at cost	–	–	448,578	448,577
Convertible debentures held in controlled entities[i]	–	–	428,973	428,973
	–	**–**	**877,551**	**877,550**

(i) The Company holds convertible debentures in two of its controlled entities, CTV Pty Limited ("CTV") and STV Pty Limited ("STV") totalling $428,973,000. Conversion of the debentures by the Company is permitted at any time provided conversion would not result in the breach of any statute by the Company or any other person. Additionally, conversion of the debentures by CTV or STV is allowed with the consent of the Company.

Debentures may be converted into fully paid ordinary shares on a one for one basis unless the nominal value of the issued shares is reconstructed which would result in a different conversion factor. Debentures may not be redeemed for cash.

In the event of wind up of CTV or STV, the rights of the Company against CTV or STV in respect of the debentures are postponed until the claims of all holders of senior indebtedness have been satisfied in full. Senior indebtedness means secured obligations, unsecured and unsubordinated obligations of CTV or STV, other than debentures and shares.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			COMPANY	
	Leasehold improvements $'000	Plant and equipment $'000	Total $'000	Plant and equipment $'000	Total $'000
Cost					
Balance at 1 January 2006	15,034	827,050	842,084	103	103
Additions	350	89,954	90,304	–	–
Disposals	–	(25,698)	(25,698)	–	–
Balance at 31 December 2006	**15,384**	**891,306**	**906,690**	**103**	**103**
Balance at 1 January 2007	15,384	891,306	906,690	103	103
Additions	1,008	98,640	99,648	–	–
Transfer to intangible assets	–	(19,471)	(19,471)	–	–
Disposals	–	(551,064)	(551,064)	–	–
Balance at 31 December 2007	**16,392**	**419,411**	**435,803**	**103**	**103**
Depreciation and impairment losses					
Balance at 1 January 2006	(10,208)	(717,354)	(727,562)	(95)	(95)
Depreciation charge for the year	(2,795)	(52,695)	(55,490)	(3)	(3)
Disposals	–	25,630	25,630	–	–
Balance at 31 December 2006	**(13,003)**	**(744,419)**	**(757,422)**	**(98)**	**(98)**
Balance at 1 January 2007	(13,003)	(744,419)	(757,422)	(98)	(98)
Depreciation charge for the year	(737)	(56,622)	(57,359)	(2)	(2)
Transfer to intangible assets	–	14,428	14,428	–	–
Disposals	–	551,038	551,038	–	–
Balance at 31 December 2007	**(13,740)**	**(235,575)**	**(249,315)**	**(100)**	**(100)**
Carrying amounts					
At 1 January 2006	4,826	109,696	114,522	8	8
At 31 December 2006	2,381	146,887	149,268	5	5
At 1 January 2007	**2,381**	**146,887**	**149,268**	**5**	**5**
At 31 December 2007	**2,652**	**183,836**	**186,488**	**3**	**3**

During the year, the Consolidated entity disposed of $550,286,000 of fully depreciated assets (2006: $25,588,000) that are no longer in use for nil proceeds.

NOTE 13. INTANGIBLE ASSETS

	CONSOLIDATED				
	CURRENT	NON-CURRENT			
	Spectrum licences[ii] $'000	Spectrum licences[ii] $'000	Goodwill[i] $'000	Other intangible assets[iii] $'000	Total Non-Current $'000
Cost					
Balance at 1 January 2006	–	67,834	87,941	26,090	181,865
Additions	–	–	–	4,900	4,900
Goodwill adjustment	–	–	(84,165)	–	(84,165)
Disposals	–	–	–	–	–
Balance at 31 December 2006	**–**	**67,834**	**3,776**	**30,990**	**102,600**
Balance at 1 January 2007	–	67,834	3,776	30,990	102,600
Additions	–	–	–	13,155	13,155
Transfer from plant and equipment	–	–	–	19,471	19,471
Transfer from non-current to current	67,834	(67,834)	–	–	(67,834)
Disposals	–	–	–	(7,967)	(7,967)
Balance at 31 December 2007	**67,834**	**–**	**3,776**	**55,649**	**59,425**
Amortisation and impairment losses					
Balance at 1 January 2006	–	(62,956)	–	(19,625)	(82,581)
Amortisation for the year	–	(528)	–	(4,515)	(5,043)
Disposals	–	–	–	–	–
Balance at 31 December 2006	**–**	**(63,484)**	**–**	**(24,140)**	**(87,624)**
Balance at 1 January 2007	–	(63,484)	–	(24,140)	(87,624)
Amortisation for the year	–	(326)	–	(4,993)	(5,319)
Reversal of impairment loss	–	5,000	–	–	5,000
Transfer from plant and equipment	–	–	–	(14,428)	(14,428)
Transfer from non-current to current	(58,810)	58,810	–	–	58,810
Disposals	–	–	–	7,967	7,967
Balance at 31 December 2007	**(58,810)**	**–**	**–**	**(35,594)**	**(35,594)**
Carrying amounts					
At 1 January 2006	–	4,878	87,941	6,465	99,284
At 31 December 2006	–	4,350	3,776	6,850	14,976
At 1 January 2007	**–**	**4,350**	**3,776**	**6,850**	**14,976**
At 31 December 2007	**9,024**	**–**	**3,776**	**20,055**	**23,831**

The Company does not hold any intangible assets.

(i) In 2006, the Consolidated entity recorded an adjustment to goodwill that arose on restructuring of the group in June 1999 relating to the recognition of a deferred tax asset against pre-June 1999 tax losses. This is in accordance with AASB 3 *Business Combinations* which required the Consolidated entity to reduce the carrying amount of the goodwill to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset from the acquisition date.

(ii) The spectrum licences are being held for sale and are classified as current assets. Based on the expectations of the sale price, the impairment of spectrum licences has been reversed by $5 million. Refer to Note 30 for further details on the sale.

(iii) Other intangible assets include software and capitalised development costs.

IMPAIRMENT TESTS FOR GOODWILL

Goodwill relates to the Consolidated entity's subscription service businesses, which account for substantially all of the continuing operations. Its recoverable amount has been assessed based on fair value less costs to sell. The recoverable amount significantly exceeds the carrying value of the goodwill.

NOTE 14. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Consolidated						
Fair value derivatives	–	–	(4,408)	(609)	(4,408)	(609)
Carry forward tax losses	203,988	216,403	–	–	203,988	216,403
Property, plant and equipment	14,381	28,728	–	–	14,381	28,728
Employee benefits and provisions	8,890	4,118	–	–	8,890	4,118
Accruals	13,460	11,880	–	–	13,460	11,880
Investment in subsidiary held for sale	16,793	–	–	–	16,793	–
Net tax assets/(liabilities)	**257,512**	**261,129**	**(4,408)**	**(609)**	**253,104**	**260,520**

No deferred tax assets or liabilities have been recognised in the Company.

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	CONSOLIDATED			COMPANY		
	Balance 1 Jan 07 $'000	Recognised in profit $'000	Balance 31 Dec 07 $'000	Balance 1 Jan 07 $'000	Recognised in profit $'000	Balance 31 Dec 07 $'000
Fair value derivatives	(609)	(3,799)	(4,408)	–	–	–
Carry forward tax losses	216,403	(12,415)	203,988	–	–	–
Property, plant and equipment	28,728	(14,347)	14,381	–	–	–
Employee benefits and provisions	4,118	4,772	8,890	–	–	–
Accruals	11,880	1,580	13,460	–	–	–
Investment in subsidiary held for sale	–	16,793	16,793	–	–	–
	260,520	**(7,416)**	**253,104**	**–**	**–**	**–**

	Balance 1 Jan 06 $'000	Recognised in profit $'000	Balance 31 Dec 06 $'000	Balance 1 Jan 06 $'000	Recognised in profit $'000	Balance 31 Dec 06 $'000
Fair value derivatives	–	(609)	(609)	–	–	–
Carry forward tax losses	–	216,403	216,403	–	–	–
Property, plant and equipment	7,527	21,201	28,728	–	–	–
Employee benefits and provisions	156	3,962	4,118	–	–	–
Accruals	10,471	1,409	11,880	–	–	–
	18,154	**242,366**	**260,520**	**–**	**–**	**–**

NOTE 14. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items:

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Deductible temporary differences	3,936	5,091	49	215
Carry forward tax losses[i]	50,600	44,396	12,849	7,223
	54,536	**49,487**	**12,898**	**7,438**

(i) Refer to Note 5(b) for further details on tax losses not recognised.

NOTE 15. TRADE AND OTHER PAYABLES

		CONSOLIDATED		COMPANY	
	Note	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Current					
Unsecured:					
Trade creditors		20,013	15,978	–	–
Interest payable to unrelated parties		12,595	4,854	–	1,978
Accrued expenses		50,035	43,166	1,185	1,237
Trade amounts due to:					
– joint venture entities	27(b)	1,557	1,696	–	–
– management fees due to related entities	27(d)	179	761	179	761
Total current trade and other payables		**84,379**	**66,455**	**1,364**	**3,976**

NOTE 16. INTEREST BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Consolidated entity's interest-bearing loans and borrowings. For more information about the Consolidated entity's exposure to interest rate and foreign currency risk, see Note 26.

		CONSOLIDATED		COMPANY	
	Note	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Non-current liabilities					
Secured:					
Senior Debt Facility (net of borrowing costs)	i.	762,698	379,599	–	–
Unsecured:					
– STARS (net of borrowing costs)	ii.	–	113,636	–	113,636
Total non-current interest bearing liabilities		**762,698**	**493,235**	**–**	**113,636**

i. SENIOR DEBT FACILITY

During the financial year, the Consolidated entity refinanced the Senior Debt Facility and increased the facility to $850,000,000 total debt made up of Senior and Revolving facilities.

NOTE 16. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

i. SENIOR DEBT FACILITY (CONTINUED)

The Senior Debt Facility is comprised of:

	DEC 2007			DEC 2006		
	Total $'000	Utilised $'000	Unutilised* $'000	Total $'000	Utilised $'000	Unutilised* $'000
Senior Debt Facility						
– Tranche A	225,000	225,000	–	275,000	275,000	–
– Tranche B	500,000	425,000	75,000	300,000	90,000	210,000
– Revolving Facility (Syndicate)	100,000	100,000	–	–	–	–
– Revolving Facility (CBA)	25,000	24,927	73	25,000	25,000	–
	850,000	**774,927**	**75,073**	**600,000**	**390,000**	**210,000**

* The availability of the facility is subject to interest cover and leverage covenants. As at 31 December 2007, based on existing drawings and covenants, $75,073,000 (2006: $127,165,000) is available.

The Senior Debt Facility comprises:

a. Tranche A – a term amortising facility in the amount of $225,000,000 (2006: $275,000,000). The Tranche A commitment expires on 3 August 2011 and is currently fully drawn down; and

Tranche B – a term amortising facility in the amount of $500,000,000 (2006: $300,000,000). The Tranche B commitment expires on 3 August 2013 and is $425,000,000 drawn down.

The Senior Debt Facility bears interest at the bank bill swap rate plus a margin ranging from 0.9% to 2.0% based upon certain financial ratios (2006: 0.9% to 1.7%). In renegotiating the Senior Debt Facility, the Consolidated entity incurred bank and professional fees of $2,797,000 (2006: $9,368,000) which are being deferred and released over the specific term of the tranches using the effective interest rate method. The deferred capitalised bank fees in relation to the renegotiation of the Senior Debt Facility in 2006 of $9,368,000 continue to be deferred and released over the specific term of the tranches using the effective interest rate method (2006: $4,677,000 written off in relation to 2005 deferred capitalised bank fees).

The Company, CTV Pty Limited, STV Pty Limited and certain other controlled entities have agreed to guarantee the obligations of Austar Entertainment Pty Limited ("the Borrower") and have contributed all of their assets as security for the Senior Debt Facility.

b. Revolving Facilities
As at 31 December 2007, the Consolidated entity has a Revolving Facility (Syndicate) of $100,000,000 (2006: $nil) which is fully drawn down. The Revolving Facility (CBA) is drawn down $24,927,000 on the $25,000,000 (2006: $25,000,000) facility which includes $1,333,500 (2006: $1,333,500) utilised for guarantees. Both Revolving Facilities expire on 3 August 2012.

ii. SUBORDINATED TRANSFERABLE ADJUSTABLE REDEEMABLE SECURITIES ("STARS")

The Company had on issue 1,150,000 STARS at $100 face value totalling $115,000,000. The STARS were redeemed on the 31 October 2007 and the Company paid a cash amount equal to the face value of $100 as the redemption. All STARS are now redeemed and cancelled.

NOTE 17. PROVISIONS

	Non-Current Make good Provisions $'000	Current Other Provisions $'000	Total $'000
Consolidated			
Balance at 1 January 2007	3,019	80	3,099
Unwind of discount	320	–	320
Provisions made during the year	402	2,256	2,658
Provisions used during the year	–	(1,968)	(1,968)
Balance at 31 December 2007	**3,741**	**368**	**4,109**
Current	–	368	368
Non-current	3,741	–	3,741
	3,741	**368**	**4,109**

The Company does not have any provisions as at 31 December 2007 (2006: $nil).

Make-good provisions represent the present value of the estimated costs for the Consolidated entity's obligation to restore office premises and sites to their original condition at the conclusion of each lease.

NOTE 18. OTHER LIABILITIES

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Current				
Unearned income	**2,499**	**1,694**	**–**	**–**
Non-current				
Amounts due to related entity	–	–	370,364	12,254
Leasehold rental accrual	2,295	2,171	–	–
Other non current payable	431	–	–	–
	2,726	**2,171**	**370,364**	**12,254**

Lease payments arising from fixed inflators included in the minimum lease rental payments are recognised on a straight line basis over the lease term.

NOTE 19. EMPLOYEE BENEFITS

A. EMPLOYEE BENEFIT LIABILITIES

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Current				
Liability for annual leave	3,897	3,917	–	–
Liability for long service leave	715	622	–	–
Long-term bonus	1,420	1,131	–	–
	6,032	**5,670**	**–**	**–**
Non-current				
Long-term bonus	–	1,141	–	–
Liability for long service leave	1,160	1,059	–	–
	1,160	**2,200**	**–**	**–**

NOTE 19. EMPLOYEE BENEFITS (CONTINUED)

B. SUPERANNUATION COMMITMENTS

The Consolidated entity contributes to a defined contribution superannuation plan for substantially all of its employees. Pursuant to the Superannuation Guarantee arrangements, each participating entity in the Consolidated entity has a legal obligation to contribute to the plan, being the AUSTAR Superannuation Plan, which is part of a master superannuation plan administered by MLC (contributions at statutory rate). This is a defined contribution fund. The amount recognised as an expense was $3,902,000 for the year ended 31 December 2007 (2006: $3,554,000).

C. EXECUTIVE SHARE OPTION PLAN

In 1999 an Executive Share Option Plan ("ESOP") was established and certain executives and other eligible employees were invited to participate in a plan to receive options to subscribe for ordinary shares of the Company. The quantum of options and the price at which they were exercisable was at the discretion of the Board.

Year ending 31 December	Exercise Price	Options outstanding at the beginning of the period	Options granted during the period	Options exercised during the period	Options cancelled during the period	Options outstanding at the end of the period
2007	$ 4.70	50,000	–	–	–	50,000
2006	$ 4.70	50,000	–	–	–	50,000

The options outstanding as at 31 December 2007 were granted on 20 July 1999 and vest over a period of four years from the date of grant and expire on the tenth anniversary from the date of grant. These options are fully vested.

The market value of shares under these options at 31 December 2007 was $1.59 (2006: $1.32).

D. EMPLOYEE SHARE PLANS

The Consolidated entity has certain equity share participation plans as detailed below.

i. General Employee Share Plan

During the year the Company invited employees of the Consolidated entity to join the General Share Plan. The General Share Plan gives employees the opportunity to acquire $1,000 worth of ordinary shares at their tax "market value" in any one financial year as tax exempt remuneration or to sacrifice salary and receive shares of the Company up to that value. As at 31 December 2007, 184 employees are participating in the General Share Plan (2006: 209 employees). During the year 123,090 ordinary shares of the Company were allotted (2006: 116,778) at prices ranging from $1.2257 to $1.6764 being the weighted average prices for the five days immediately prior to allotment (2006: $1.0385 to $1.3047).

ii. Senior Management Team Share Plan

During 2003, the Consolidated entity instituted a share plan for the Senior Management Team to participate in to purchase shares in the Company. Refer to Note 20 "Issued Capital" for details of this share plan.

iii. 2007 Long Term Incentive Plan

During the year, the Consolidated entity instituted a new long-term incentive plan. Given the management restructure in 2006 and the vesting of the final options issued under the 2003 Senior Management Share Plan which will occur in April 2008, the Remuneration Committee has reviewed the Consolidated entity's on-going executive remuneration structure. Based on the recommendations of this review the board approved a new long-term incentive plan on 31 July 2007 which is based on the Liberty Global Senior Executive Performance Incentive Plan.

NOTE 19. EMPLOYEE BENEFITS (CONTINUED)

D. EMPLOYEE SHARE PLANS (CONTINUED)

iii. 2007 Long Term Incentive Plan (continued)

Under the "2007 Long Term Incentive Plan" 25 Senior Executives are entitled to an award calculated on a two year performance period ending December 2008 and vesting in bi-annual tranches over the subsequent three year service period to September 2011. For the award to vest, the Consolidated entity must achieve a Compound Annual Growth Rate (CAGR) of at least 15% in Earnings before interest, taxation, depreciation and amortisation ("EBITDA") over the 2006 to 2008 performance period. The maximum award is payable if a CAGR of 20% is achieved. The plan can be settled either in shares or cash at the option of the Company. Subject to any necessary approvals the plan is expected to be paid out in shares, converted at the market price on each vesting date.

The 2007 Long Term Incentive Plan is accounted for as an equity settled share-based payment under AASB 2 *Share-based payment*. No cash payments have been made.

The fair value was estimated at the date the participants were notified on 2 May 2007. The fair value is based on achieving the maximum 20% EBITDA CAGR target, estimated staff turnover of senior executives and a risk free rate of 6.06%. The fair value of the plan at inception totalled $38.5m and is expensed on a time proportionate basis over the vesting periods for each tranche.

NOTE 20. ISSUED CAPITAL

The issued capital of the Company is comprised as follows:

		DEC 2007		DEC 2006	
	Note	Number of shares	$'000	Number of shares	$'000
Ordinary shares	(a)	1,266,412,927	601,261	1,266,289,837	901,223
B Class shares	(c)	–	–	–	–
Total issued capital		**1,266,412,927**	**601,261**	**1,266,289,837**	**901,223**

The B Class shares are treated, for accounting and disclosure purposes, as options until they have vested, the participants withdraw them from the plan, and pay the exercise price.

Options	Note	Outstanding at 1 Jan 2007	Granted during the period	Exercised during the period	Outstanding at 31 Dec 2007
B Class shares	(c)	**54,025,795**	**–**	**–**	**54,025,795**

A. ORDINARY SHARES

		DEC 2007		DEC 2006	
	Note	Number of shares	$'000	Number of shares	$'000
Ordinary shares, fully paid		**1,266,412,927**	**601,261**	**1,266,289,837**	**901,223**
Movements in contributed equity:					
Balance, beginning of period		1,266,289,837	901,223	1,239,092,090	1,095,551
Shares issued pursuant to:					
– employee share plans	(i)	123,090	180	116,778	138
– conversion of A Class Shares to Ordinary shares	(b)	–	–	20,840,817	5,905
– conversion of Convertible Notes to Ordinary shares		–	–	6,240,152	1,316
– Capital Return	(d)	–	(299,880)	–	(201,603)
– Capital Return costs		–	(262)	–	(84)
Balance, end of period		**1,266,412,927**	**601,261**	**1,266,289,837**	**901,223**

NOTE 20. ISSUED CAPITAL (CONTINUED)

A. ORDINARY SHARES (CONTINUED)

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(i) During the current financial year the Company issued 123,090 (2006: 116,778) ordinary shares to raise net proceeds of $179,718 (2006: $137,633) pursuant to the terms of the General Employee Share Plan.

B. A CLASS SHARES

Vested and withdrawn from the plan

		DEC 2007		DEC 2006	
	Note	Number of shares	$'000	Number of shares	$'000
A Class shares, fully paid		–	–	–	–
Movements in contributed equity:					
Balance at beginning of the year		–	–	7,021,939	717
– payment for matching shares		–	–	13,818,878	5,188
– conversion of purchase shares to Ordinary shares		–	–	(7,021,939)	(717)
– conversion of matching shares to Ordinary shares		–	–	(13,818,878)	(5,188)
Balance at end of the year		–	–	–	–

C. B CLASS SHARES

Additional shares plan

In 2003, pursuant to the terms of the Share Plan the 13 members of the Senior Management Team were offered B Class shares. In addition, the participants were each offered an interest free limited recourse loan to acquire the B Class shares. Participants are unable to sell or deal with the B Class shares until they vest and are withdrawn from the Share Plan. In certain circumstances (including serious misconduct) the Company has the right to buy-back the B Class shares at the price the B Class shares were originally issued.

The B Class shares have the same dividend and capital rights as Ordinary shares but only limited voting rights (and will be 'non-voting shares' for purposes of the Corporations Act). They also confer limited rights to participate in bonus issues and rights issues. The Company may convert the B Class shares into Ordinary shares at any time, but it is only required to do so once they vest and are withdrawn from the Share Plan. The B Class shareholders waived their right to the 2007 return of capital subject to, and conditional on, the Company reducing the loan balance on B Class shares which vest by the amount of the capital return, after vesting has occurred on 1 April 2008 (refer Note (d)).

As at 31 December 2007, 54,025,795 (2006: 54,025,795) B Class shares remain unvested.

The remaining B Class shares vest on 1 April 2008 or when LGI disposes all (a "Liquidity Event") or a substantial part (a "Partial Liquidity Event") of its indirect interest in the Company and certain performance hurdles have been met. The number of B Class shares that vest will be the lowest of:

- the percentage that would result in all participants receiving Ordinary shares with a net value (after repayment of loans) calculated by reference to the internal rate of return achieved by LGI in relation to the Consolidated entity;
- the percentage that would result in all participants receiving Ordinary shares with a net value (after repayment of loans) broadly equal to 3% of the value of the Consolidated entity at the time of the disposal. This will then be allocated among participants by reference to their relative allocations of B Class shares under the Share Scheme; and
- 100% of the remaining B Class shares.

NOTE 20. ISSUED CAPITAL (CONTINUED)

D. CAPITAL RETURN

On 1 November 2007, the Company made a capital return of $0.2368 per individual ordinary share, totalling $299,880,000 plus related costs of $262,000, to those shareholders holding shares on 24 October 2007. In the prior year, the Company returned $0.16 per individual ordinary share totalling $201,603,000 plus related costs of $84,000.

NOTE 21. ACCUMULATED LOSSES

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Reconciliation of movement in accumulated losses				
Balance, beginning of the year	(955,801)	(1,166,242)	(93,043)	(85,531)
Profit/(Loss) for the year	77,307	210,192	57,456	(7,761)
Equity-settled share-based compensation transactions	9,792	249	9,792	249
Balance, end of the year	**(868,702)**	**(955,801)**	**(25,795)**	**(93,043)**

NOTE 22. RESERVES

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Hedge accounting ceased during the year ended 31 December 2005. The deferred balance is amortised to the income statement over the remaining life of the hedging instruments.

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Reconciliation of movement in hedge reserve				
Balance, beginning of the year	(880)	(1,697)	–	–
Amortisation of hedge reserve	422	817	–	–
Balance, end of year	**(458)**	**(880)**	**–**	**–**

NOTE 23. NOTES TO THE STATEMENTS OF CASH FLOWS

A. RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the Statements of Cash Flows, cash and cash equivalents includes cash on hand and in banks and deposits at call and restricted cash in banks. Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

		CONSOLIDATED		COMPANY	
	Note	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Cash	(i)	29,847	27,180	219	6
Restricted cash	(ii)	667	30	32	30
Total cash and cash equivalents		**30,514**	**27,210**	**251**	**36**

(i) Amounts held in cash accounts bear interest at rates ranging from 5.50% to 6.65% (2006: 4.56% to 6.1%). As at 31 December 2007 the weighted average rate was 6.62% (2006: 5.88%).

(ii) Included in restricted cash is an amount to purchase shares of the Company pursuant to the terms of the Employee General Share Plan. The General Share Plan account bears interest at 6.0% (2006: 5.0%).

NOTE 23. NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

B. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO PROFIT FOR THE YEAR

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Profit/(Loss) for the year	**77,307**	**210,192**	**57,456**	**(7,761)**
Add/(Less) items classified as investing activities:				
– loss on sale of property, plant and equipment	12	6	–	–
Add/(Less) non cash income and expense items:				
– depreciation and amortisation of plant and equipment and intangible assets	57,678	60,533	2	3
– fair value adjustment on assets and liabilities	(20,642)	(3,289)	–	–
– share-based compensation	10,223	249	–	–
– income tax expense/(benefit)	7,424	(243,079)	–	–
– share of joint venture entity and associates' results	(6,540)	(5,455)	–	–
– amortisation and write off of capitalised borrowing costs	2,332	7,259	1,556	1,113
– unrealised foreign exchange loss/(gain)	1,783	2,783	25	12
– other	900	466	–	–
– goodwill adjustment	–	84,165	–	–
Net cash from/(used in) operating activities before changes in assets and liabilities	130,477	113,830	59,039	(6,633)
Increase/(decrease) in liabilities:				
– trade and other payables	16,081	1,149	(69,518)	790
– provisions and employee benefits	(389)	1,273	–	–
(Increase)/Decrease in assets:				
– trade, other receivables and other assets	(5,425)	(4,914)	(8,935)	(11,374)
Net cash from operating activities	**140,744**	**111,338**	**(19,414)**	**(17,217)**

C. NON-CASH FINANCING AND INVESTING ACTIVITIES

Apart from the conversion of four convertible notes held as debt into equity on the 11 October 2006 (Note 27(d)), there were no other non-cash financing and investing activities during the current and preceding periods.

NOTE 24. CONSOLIDATED ENTITIES

A. CONSOLIDATED ENTITIES

The Consolidated Financial Report includes the following controlled entities. The financial years of all controlled entities are the same as that of the Company.

			OWNERSHIP INTEREST %	
Name of Controlled Entity	Note	Country of Incorporation	Dec 2007	Dec 2006
CTV Pty Limited	(iv)	Australia	100	100
– Ilona Investments Pty Limited		Australia	100	100
– Jacolyn Pty Limited		Australia	100	100
– Minorite Pty Limited		Australia	100	100
– Vinatech Pty Limited	(iii)	Australia	100	18
– Salstel Media Holdings Pty Limited	(v)	Australia	100	–
STV Pty Limited	(iv)	Australia	100	100
– Chippawa Pty Limited		Australia	100	100
– Dove Vale Pty Limited		Australia	100	100
– Kidillia Pty Limited		Australia	100	100
– Selectra Pty Limited	(iii)	Australia	100	18
– Salstel Media Investments Pty Limited	(v)	Australia	100	–
– Windytide Pty Limited		Australia	100	100
– Wollongong Microwave Pty Limited		Australia	100	100
Austar Entertainment Pty Limited	(i),(iv)	Australia	100	100
– Austar Services Pty Limited		Australia	100	100
Austar United Broadband Pty Limited	(iv)	Australia	100	100
– Austar United Licenceco Pty Limited		Australia	100	100
– Austar United Mobility Pty Limited	(iv)	Australia	100	100
– Artson System Pty Limited		Australia	100	100
– eisa Finance Pty Limited		Australia	100	100
Austar United Holdco1 Pty Limited		Australia	100	100
Century Programming Ventures Corporation		USA	100	100
Century United Programming Ventures Pty Limited	(ii)	Australia	100	100
Continental Century Pay TV Pty Limited		Australia	100	100
UAP Australia Programming Pty Limited		Australia	100	100
Austar Satellite Ventures Pty Limited		Australia	100	100
– Austar Satellite Pty Limited		Australia	100	100
Saturn (NZ) Holding Company Pty Limited		Australia	100	100

In the financial report of the Company, investments in controlled entities, investments in associates, and joint venture entities are measured at cost.

(i) This entity is 50% owned by CTV Pty Limited and 50% owned by STV Pty Limited.

(ii) This entity is 50% owned by the Company and 50% owned by Century Programming Ventures Corporation.

(iii) In the current year, the Company acquired the remaining 82% in Vinatech Pty Limited and Selectra Pty Limited for nominal consideration. In the prior year, the Company was able to govern the financial and operating policies of these entities by virtue of a shareholders agreement.

NOTE 24. CONSOLIDATED ENTITIES (CONTINUED)

A. CONSOLIDATED ENTITIES (CONTINUED)

(iv) On 13 December 2005, a new Deed of Cross Guarantee was entered into by the Company, Austar United Broadband Pty Limited, Austar Entertainment Pty Limited, CTV Pty Limited, STV Pty Limited and Austar United Mobility Pty Limited. Revocation Deeds were entered on that same date to revoke the previous deed of cross guarantee ("Old Deed"). Revocation of the Old Deed took effect from 21 June 2006.

The deed of cross guarantee provides that each party to the deed will guarantee to each creditor payment in full of any debt of the other party to the deed. Pursuant to ASIC Class Order 98/1418, Austar United Broadband Pty Limited, Austar Entertainment Pty Limited, CTV Pty Limited, STV Pty Limited and Austar United Mobility Pty Limited are relieved of the requirement to prepare, audit and lodge financial statements.

The Consolidated Income Statement and Consolidated Balance sheet of Austar United Communications Limited, Austar United Broadband Pty Limited, Austar Entertainment Pty Limited, CTV Pty Limited, STV Pty Limited and Austar United Mobility Pty Limited are included in the class order "closed group" as set out at Note 24(b).

(v) Salstel Media Holdings Pty Limited and Salstel Media Investment Pty Limited were acquired for nominal consideration on 4 September 2007 and are wholly owned by the Company.

B. FINANCIAL INFORMATION FOR CLASS ORDER CLOSED GROUP

The Class Order Closed Group for the years ended 31 December 2007 and 31 December 2006 comprised the following:

- the Company;
- Austar United Broadband Pty Limited;
- Austar Entertainment Pty Limited;
- Austar United Mobility Pty Limited;
- CTV Pty Limited; and
- STV Pty Limited.

A Consolidated Income Statement and Consolidated Balance Sheet, comprising the Company and controlled entities which are party to the Closed Group, after eliminating all transactions between parties to the Deed, at 31 December 2007 and 31 December 2006 is set out below.

Austar United Communications Limited Closed Group
Income Statement for the year ended 31 December 2007

	CONSOLIDATED	
	Dec 2007 $'000	Dec 2006 $'000
Profit/(Loss) before income tax benefit	138,079	(36,664)
Income tax (expense)/benefit	(24,217)	242,720
Profit for the year	**113,862**	**206,056**
Reconciliation of movement in accumulated losses		
Balance, beginning of the year	(1,015,879)	(1,222,184)
Profit/(Loss) for the year	113,862	206,056
Equity-settled share-based compensation transactions	9,792	249
Balance, end of the year	**(892,225)**	**(1,015,879)**

NOTE 24. CONSOLIDATED ENTITIES (CONTINUED)

B. FINANCIAL INFORMATION FOR CLASS ORDER CLOSED GROUP (CONTINUED)

Austar United Communications Limited Closed Group
Balance sheet as at 31 December 2007

	CONSOLIDATED	
	Dec 2007 $'000	Dec 2006 $'000
CURRENT ASSETS		
Cash and cash equivalents	30,514	27,210
Trade and other receivables	92,386	24,452
Fair value derivatives	–	303
Total current assets	122,900	51,965
NON-CURRENT ASSETS		
Receivables	3,715	6,644
Other investments	348	346
Property, plant and equipment	186,488	149,268
Intangible assets	23,831	10,626
Deferred tax assets	236,311	260,520
Fair value derivatives	24,877	4,235
Total non-current assets	475,570	431,639
TOTAL ASSETS	**598,470**	**483,604**
CURRENT LIABILITIES		
Trade and other payables	84,163	66,455
Employee benefits	6,032	5,670
Provisions	368	80
Fair value derivatives	3,511	2,022
Other current liabilities	2,499	1,694
Total current liabilities	96,573	75,921
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	762,698	493,235
Employee benefits	1,153	2,194
Provisions	3,741	3,019
Fair value derivatives	389	489
Other non-current liabilities	25,338	24,282
Total non-current liabilities	793,319	523,219
TOTAL LIABILITIES	**889,892**	**599,140**
NET (LIABILITIES)	**(291,422)**	**(115,536)**
EQUITY		
Issued capital	601,261	901,223
Reserves	(458)	(880)
Accumulated losses	(892,225)	(1,015,879)
TOTAL EQUITY	**(291,422)**	**(115,536)**

NOTE 25. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		CONSOLIDATED	
	Note	Dec 2007 $'000	Dec 2006 $'000
Share of associates' net loss	(a)	–	(191)
Share of jointly controlled entity profit	(b)	6,540	5,646
Net Profit		**6,540**	**5,455**

A. INVESTMENTS IN ASSOCIATES

In the financial report of the Company, investments in associates are measured at cost. The Consolidated entity accounts for investments in associates using the equity method.

The Consolidated entity has the following investments in associates:

			OWNERSHIP INTEREST DEC			CARRYING VALUE DEC	
Name of Associated Company	Principal Activity of Associated Company	Country of Incorporation	2007	2006	Balance Date[i]	2007 $'000	2006 $'000
Consolidated entity							
TVSN Channel Pty Limited[ii]	Provider of home shopping network	Australia	–	15%	30 June	–	265
Expo Network Pty Limited[ii]	Supply of subscription television programming	Australia	–	15%	30 June	–	1,325
Main Event Television Pty Limited	Supply of subscription television programming	Australia	33.3%	33.3%	30 June	–	–
MultiChannel Network Pty Limited	Supply of subscription television programming	Australia	25%	–	30 June	–	–
Ausalliance Pty Limited	Roll out broadband service to regional Australia	Australia	33.3%	33.3%	31 December	–	–

(i) Where balance dates of the associates differ to that of the Consolidated entity, results disclosed below have been adjusted to reflect the 12 month period ended 31 December 2007.

(ii) The Consolidated entity equity accounted for its investments in TVSN and Expo as it was able to exert a significant influence over these entities. On 16 July 2007, the Consolidated entity sold its 15% shareholdings in TVSN and Expo for the original cost of the investment. The carrying amount of the investments in TVSN and EXPO included a non-interest bearing loan totalling $2,000,000 (2006: $2,000,000) which had no fixed repayment date and was accounted for as equity. On finalisation of the sale, the Consolidated entity also received a $2,000,000 loan repayment on 30 July 2007 and recorded a net $410,000 profit on sale.

Financial summary of associates

	Dec 2007 $'000	Dec 2006 $'000
Total assets	–	23,280
Total liabilities	–	26,208
Net (liabilities) as reported by associates	–	(2,928)
Share of associate's net assets equity accounted	**–**	**1,590**
Revenue	–	24,742
Expenses	–	(26,015)
Net loss before and after income tax	–	(1,273)
Share of associates net loss recognised	**–**	**(191)**

Contingent liabilities of associates

There were no contingent liabilities of associates as at 31 December 2007 and 2006.

NOTE 25. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

B. INTERESTS IN JOINTLY CONTROLLED ENTITY

In the financial report of the Company, investment in the jointly controlled entity is measured at cost. The Consolidated entity accounts for investments in the jointly controlled entity using the equity method.

Details of the interests in the jointly controlled entity are as follows:

			OWNERSHIP INTEREST			CARRYING VALUE	
Name of jointly controlled entity	Principal activity of jointly controlled entity	Country of Incorporation	2007	2006	Balance Date	2007 $'000	2006 $'000
XYZnetworks Pty Limited ("XYZ")	Supply of subscription television programming	Australia	50%	50%	30 June	42,010	38,720

The carrying amount of the investment in XYZ includes an interest bearing loan of $3,286,000 (2006: $6,536,000) which has no fixed repayment date and is accounted for as equity. Results disclosed are for the 12 month period ended 31 December 2007.

Financial summary of jointly controlled entity

	Dec 2007 $'000	Dec 2006 $'000
Revenues	136,700	119,022
Expenses	(116,610)	(103,124)
Net profit before income tax	**20,090**	**15,898**
Income tax	(7,010)	(4,606)
Net profit after income tax	**13,080**	**11,292**
Share of jointly controlled entity net profit before tax	10,045	7,949
Share of jointly controlled entity income tax expense	(3,505)	(2,303)
Share of jointly controlled entities' net profit recognised	**6,540**	**5,646**

There were no contingent liabilities or capital commitments of the jointly controlled entity as at 31 December 2007 and 2006.

Commitments of jointly controlled entity

	Dec 2007 $'000	Dec 2006 $'000
Share of jointly controlled entity's operating expenditure commitments contracted but not provided for or payable:		
Within one year	5,048	6,042
One year or later but no later than five years	336	1,955
	5,384	**7,997**
Share of jointly controlled entity's operating lease expenditure commitments contracted but not provided for or payable:		
Within one year	282	250
One year or later but no later than five years	1,222	1,728
Greater than five years	1,894	2,214
	3,398	**4,192**

i. Jointly controlled entity funding

XYZnetworks Pty Limited ("XYZ") has entered into a 15-year joint venture agreement to produce Nickelodeon, a children's channel, which expires September 2010. Under this agreement XYZ is obligated to contribute funding to the joint venture at the rate of 50% up to a maximum of $13,000,000 provided certain conditions are met. At 31 December 2007, the balance funded was $2,000,000 (2006: $7,000,000).

NOTE 25. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

B. INTERESTS IN JOINTLY CONTROLLED ENTITY (CONTINUED)

Commitments of jointly controlled entity (continued)

ii. Channel Supply Commitments

XYZ has entered into various 25-year agreements, as amended, with Continental Century Pay TV Pty Limited ("CCPTV"), FOXTEL Management Pty Limited and others, which expire June 2020. Under these agreements, XYZ agreed to develop, finance and produce a certain number of channels of programming to be broadcast by various means of pay television distribution systems and with varying terms of supply. Furthermore, XYZ is obliged to reimburse CCPTV for certain costs incurred by CCPTV in carrying on the business of providing or distributing the channels to its subscribers, subcontractors, licensees or agents, a set per channel fee for transponder and related services.

In return, XYZ is entitled to receive a monthly fee per subscriber. CCPTV only has an obligation to pay fees to XYZ in relation to subscribers if CCPTV has actually received payment or set-off in respect of the provision of the channels to its sub-contractors, agents or licensees.

iii. Channel Purchase Commitments

As discussed above, XYZ has entered into a joint venture to produce the Nickelodeon channel. During the term of this agreement XYZ is obliged to pay monthly subscriber based fees to the joint venture.

NOTE 26. FINANCIAL INSTRUMENTS

A. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity and market risk arises in the normal course of the Consolidated entity's and the Company's business. This note presents information about the Consolidated entity's and the Company's exposure to each of the above risks, their objectives policies and processes to measure and manage risk, and capital management. Additionally, quantitative disclosures are included in various notes throughout this Consolidated Financial Report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which works to safeguard the Consolidated entity's assets and maintain the integrity of fiscal analysis. The Committee reports regularly to the Board of Directors on its activities.

B. CREDIT RISK

Credit risk represents the extent of credit losses that the Company or Consolidated entity may be subject to on amounts that have been recognised on the Balance sheet. The Consolidated entity minimises credit risk by undertaking transactions with a large number of customers and counterparties throughout Australia.

At the balance sheet date the Consolidated entity has no significant concentrations of credit risk in any specific geographic regions or types of customer. Refer to Note 9 for the credit risk in relation to the Company. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Credit risk relating to the derivative financial instruments recognised in the balance sheet being interest rate swaps is minimised as these are held with AAA+ rated banks.

C. LIQUIDITY RISK

Liquidity risk is the risk that the Consolidated entity and Company will not be able to meet its financial obligations as they fall due. The Consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The Consolidated entity monitors cash flow through budgets, bi-annual reforecasts and its five year long range plan.

The Consolidated entity also ensures that its debt facilities are renegotiated well in advance of contractual maturity and that different facility tranches mature at different times. The Consolidated entity has access to significant credit facilities at three and five days notice as detailed in Note 16.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

C. LIQUIDITY RISK (CONTINUED)

The Company's main financial obligation is intercompany non current payables. These are interest bearing loans which mature in line with the Senior Debt Facility.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and includes any derivative instruments cash flows.

	2007					
	Carrying amount $'000	Contractual cash flows $'000	1 year or less $'000	Between 1 and 3 years $'000	Between 4 and 5 years $'000	More than 5 years $'000
Consolidated						
Non-derivative financial liabilities						
Senior debt	(773,594)	(1,083,790)	(63,755)	(127,510)	(446,399)	(446,126)
STARS	–	–	–	–	–	–
Trade and other payables	(84,379)	(84,379)	(84,379)	–	–	–
Derivative financial (liabilities)/assets						
Interest rate swaps	24,877	10,778	2,595	5,190	2,562	431
Forward exchange contracts:						
– outflow	(3,900)	(36,180)	(30,447)	(5,733)	–	–
– inflow	–	41,268	34,729	6,539	–	–
Company						
Non-derivative financial liabilities						
STARS	–	–	–	–	–	–
Trade and other payables	(1,364)	(1,364)	(1,364)	–	–	–
Non-current payables	(370,364)	(370,364)	(21,787)	(43,574)	(152,548)	(152,455)

	2006					
	Carrying amount $'000	Contractual cash flows $'000	1 year or less $'000	Between 1 and 3 years $'000	Between 4 and 5 years $'000	More than 5 years $'000
Consolidated						
Non-derivative financial liabilities						
Senior debt	(388,667)	(554,082)	(31,877)	(63,753)	(329,898)	(128,554)
STARS	(115,000)	(203,313)	(11,646)	(23,291)	(23,291)	(145,085)
Trade and other payables	(66,455)	(66,455)	(66,455)	–	–	–
Derivative financial (liabilities)/assets						
Interest rate swaps	4,235	2,602	378	756	748	720
Forward exchange contracts:						
– outflow	(2,511)	(48,360)	(32,349)	(16,011)	–	–
– inflow	303	45,781	30,558	15,223	–	–
Company						
Non-derivative financial liabilities						
STARS	(115,000)	(203,313)	(11,646)	(23,291)	(23,291)	(145,085)
Trade and other payables	(3,976)	(3,976)	(3,976)	–	–	–
Non-current payables	(12,254)	(12,254)	(705)	(1,410)	(7,296)	(2,843)

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

D. MARKET RISK

With respect to financial instruments, market risk is the risk that changes in market prices, such as foreign exchange rates ("Currency risk") and interest rates ("Interest rate risk") will affect the Consolidated entity's income or the value of its holdings of financial instruments.

The Company does not hold derivative financial instruments.

i. Currency risk

The Consolidated entity and Company is exposed to currency risk on purchases denominated in a currency other than the functional currency, the Australian dollar (AUD), primarily for set top box purchases. These transactions are denominated in US dollars (USD). The Consolidated entity and Company minimises the exposure to foreign currency risk by initially seeking contracts effectively denominated in Australian dollars where possible and economically favourable to do so. When not in AUD, in order to minimise the risk of cash loss from AUD currency depreciation, the Consolidated entity enters general forward exchange contracts, to fix the rate of exposure. These cash flow hedges are general and not accounted for as specific or designated cash flow hedges.

The Consolidated entity had the following forward contract obligations:

	WEIGHTED AVERAGE RATE			
	Dec 2007	Dec 2006	Dec 2007 $'000	Dec 2006 $'000
Buy US dollars				
Not later than one year	$0.76	$0.74	30,447	32,349
Later than one year but not later than two years	$0.78	$0.75	5,733	16,011
			36,180	**48,360**

Changes in the fair value of forward contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. The fair value of forward exchange contracts used as general hedges of monetary assets and liabilities in foreign currencies at 31 December 2007 was a liability of $3,900,000 comprising assets of $nil, and liabilities of $3,900,000 (2006: liability of $2,208,000, comprising assets of $303,000 and liabilities of $2,511,000). Included in the foreign currency gain/loss in the profit and loss of the current year is a loss of $555,000 relating to the settlement of forward exchange contracts (2006: $923,000)

The Company does not have any forward exchange contract hedging transactions.

The Consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	Dec 2007 $'000	Dec 2006 $'000
Payables and accruals	(4,500)	(5,866)
Estimated forecast purchases – next 12 months		
– capital expenditure	(28,498)	(25,570)
– management fees	(2,738)	(3,045)
– operating expenditure	(1,739)	(2,004)
Gross forecast exposure	**(37,475)**	**(36,485)**
Forward exchange contracts – next 12 months	30,447	32,349
Net exposure	**(7,028)**	**(4,136)**

The Company's exposure to foreign currency risk relates only to management fees as detailed above.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

D. MARKET RISK (CONTINUED)

i. Currency risk (continued)

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
Consolidated and Company	2007	2006	Dec 2007	Dec 2006
US dollar	$0.84	$0.74	$0.88	$0.78

Sensitivity analysis

A five per cent strengthening or weakening of the Australian dollar against the US dollar at 31 December would have changed profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

	CONSOLIDATED PROFIT AND LOSS (GAIN)/LOSS	
	$'000 5% increase	$'000 5% decrease
31 December 2007		
US dollar	(335)	370
31 December 2006		
US dollar	(197)	218

The Company does not have significant exposure to foreign currency risk.

ii. Interest rate risk

The Consolidated entity adopts a policy of ensuring that its exposure to changes in interest rates on long-term borrowings is on a fixed rate basis. To manage interest rate exposure on the Senior Debt Facility and STARS (prior to redemption), the Consolidated entity has entered into seven interest rate swaps. The swaps convert floating rate long-term borrowings into fixed rates and mature over the next six years following the expected maturity of the related loans. These contracts involve the quarterly payment or receipt of interest.

Fair values of the interest rate swaps are based on the estimated amounts that would be received or paid to terminate the agreements at 31 December 2007, taking into account current interest rates. The net fair value of interest rate swaps at 31 December 2007 was $24,877,000 (2006: $4,235,000) comprising assets of $24,877,000 (2006: $4,235,000) and liabilities of $nil (2006: $nil). These amounts were recognised as fair value derivatives.

The valuation of the swaps can differ greatly from period to period, due to the impacts of changes in the floating interest rates. The volatility is driven by the magnitude of the swap principal amounts together with the length of the remaining term. Under the Senior Debt Facility, both of these have increased substantially in the current year and increased volatility of the mark-to-market adjustments has been experienced as a result. The following table shows the commencement date and termination date of the interest rate swaps, and the facility drawings.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

D. MARKET RISK (CONTINUED)

ii. Interest rate risk (continued)

	Commencement date	Termination/ Settlement date	Dec 2007 $'000	Dec 2006 $'000
Interest rate swaps				
Swap 1	8 August 2006	3 August 2011	175,000	175,000
Swap 2	8 August 2006	3 August 2013	130,000	130,000
Swap 3	31 August 2006	3 August 2013	100,000	100,000
Swap 4	31 August 2006	3 August 2011	75,000	100,000
Swap 5	1 January 2008	3 August 2013	100,000	–
Swap 6	1 January 2008	3 August 2013	100,000	–
Swap 7	3 August 2011	6 August 2013	25,000	–
			705,000	**505,000**
Debt (drawn)				
Tranche A	3 August 2006	3 August 2011	225,000	275,000
Tranche B	3 August 2006	3 August 2013	425,000	90,000
Revolver	3 August 2006	3 August 2012	124,927	25,000
STARS	13 October 2004	31 July 2014	–	115,000
			774,927	**505,000**

The Company has been issued perpetual convertible debentures from controlled entities, CTV Pty Limited and STV Pty Limited in the amount of $428,973,000. These are non-interest bearing. The Company holds intercompany loans which are interest bearing and have the same terms and conditions as the Senior Debt Facility.

Sensitivity analysis

A change of 50 basis points in interest rates at the reporting date would have changed the profit or loss by the amounts shown below. The interest rate sensitivity is calculated on the unhedged portion. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

	CONSOLIDATED PROFIT AND LOSS (GAIN)/LOSS	
	$'000 50bp increase	$'000 50bp decrease
31 December 2007		
Interest rate swap net cash flow sensitivity	256	(256)
31 December 2006		
Interest rate swap net cash flow sensitivity	–	–

The above analysis excludes the estimated impact of the movement in the mark-to-market valuation of the interest rates swaps. A 50 point increase at 31 December 2007 would result in an additional unrealised gain of $13,000,000 (2006: gain of $10,952,000). A 50 point decrease would result in an unrealised loss of $13,570,000 (2006: loss of $11,274,000).

E. CAPITAL MANAGEMENT

The Board's policy is to maintain an appropriate mix of debt and equity funding with the use of refinancing and capital return activity. The Board of Directors monitors market capitalisation, movements in key shareholders and the gearing ratio of the Consolidated entity. The capital management activity during the current year included the redemption of STARS and a capital return to shareholders of $0.2368 per share. For details of the items included as share capital refer to Note 20.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

E. CAPITAL MANAGEMENT (CONTINUED)

There were no changes in the Consolidated entity's approach to capital management during the year.

F. FAIR VALUES

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Note	Carrying amount Dec 2007 $'000	Fair value Dec 2007 $'000	Carrying amount Dec 2006 $'000	Fair value Dec 2006 $'000
Consolidated					
Cash and cash equivalents	23	29,847	29,847	27,180	27,180
Restricted cash	23	667	667	30	30
Trade and other receivables	9,10	29,756	29,756	24,755	24,755
Trade and other payables	15	(84,379)	(84,379)	(66,455)	(66,455)
Senior debt	16	(762,698)	(736,181)	(379,599)	(388,667)
STARS	16	–	–	(113,636)	(115,000)
Fair value derivatives					
– current assets		–	–	303	303
– non-current assets		24,877	24,877	4,235	4,235
– current liabilities		(3,511)	(3,511)	(2,022)	(2,022)
– non-current liabilities		(389)	(389)	(489)	(489)
		(765,830)	**(739,313)**	**(505,698)**	**(516,130)**
Company					
Cash and cash equivalents	23	219	219	6	6
Restricted cash	23	32	32	30	30
Trade and other receivables	9,10	69,389	69,389	60,455	60,455
Trade and other payables	15	(1,364)	(1,364)	(3,976)	(3,976)
Amounts due to related parties	18	(370,364)	(351,846)	(12,254)	(12,254)
STARS	16	–	–	(113,636)	(115,000)
		(302,088)	**(283,570)**	**(69,375)**	**(70,739)**

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

i. Derivatives

The fair value of interest rate swaps is the estimated amount that the Consolidated entity would receive or pay to terminate the swap at the balance sheet date taking into account current interest rates and the current credit worthiness of the swap counter parties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

ii. Interest bearing loans and borrowings

The fair value is based on an estimated price of the debt outstanding at year end traded in a comparable market to the existing conditions of the debt.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

F. FAIR VALUES (CONTINUED)

Estimation of fair values (continued)

iii. Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. The carrying amount of the remaining financial assets and liabilities approximates their net fair values unless otherwise noted.

iv. Interest rates used for determining fair value

The entity uses the government yield rate as of 31 December 2007 to discount financial instruments. The interest rates used are as follows:

	2007	2006
Interest bearing loans and borrowings	6.54% to 6.88%	5.98% to 6.04%

NOTE 27. RELATED PARTIES

A. TRANSACTIONS WITH RELATED PARTIES IN THE WHOLLY OWNED CONSOLIDATED ENTITY

During the prior year the Company had advanced funds to wholly owned entities to meet operating cash flow requirements. These were normally interest bearing. Those that were non-interest bearing had specific terms of repayment. These advances were under normal terms and conditions. During the year the Company accrued interest of $nil (2006: $14,671,000).

Amounts due to and receivable from related parties in the Consolidated entity are set out in Notes 9, 10, 11 and 15. The ownership interests in related parties in the wholly owned Consolidated entity are set out in Note 24.

B. TRANSACTIONS WITH JOINT VENTURE ENTITY

XYZnetworks Pty Limited

XYZnetworks Pty Limited ("XYZ"), a 50% owned jointly controlled entity, has granted to Continental Century Pay TV Pty Limited ("CCPTV"), the exclusive distribution rights for Australia for a package of subscription channels to be produced by XYZ. CCPTV is a wholly owned controlled entity of the Company. XYZ has agreed to pay CCPTV its actual costs of carrying on the business of providing or distributing the channels to its subscribers, licensees or agents, including specifically:

i. the costs of actually transmitting twelve channels on the satellite platform of $174,000 per annum, per channel (2006: $174,000 per annum, per channel); and

ii. costs of staff, premises, overhead and other expenses.

During the current year, the Consolidated entity received $1,653,000 (2006:$1,218,000) and $3,751,000 (2006: $3,268,000) for the transmission of the 12 channels on the satellite platform and staff and other costs respectively. At 31 December 2007, the outstanding amount owing from XYZ for these transactions was $1,604,000 (2006: $369,000).

Under the agreement, XYZ is entitled to receive a monthly fee per subscriber for programming content. The value of these transactions for the year ending 31 December 2007 was $10,211,000 (2006: $10,443,000). At 31 December 2007, the outstanding programming fees payable to XYZ was $1,557,000 (2006: $1,696,000).

The Consolidated entity has a long-term loan with XYZ that has been classified as an investment. At year end $3,286,000 was outstanding (2006: $6,536,000). During the year, the Consolidated entity received principal repayments of $3,250,000 (2006: $3,614,000). Interest is charged on the loan at a rate of BBSW plus a margin of 4% per annum calculated daily. During the current year XYZ incurred interest of $567,000 (2006: $997,000). At 31 December 2007, the interest outstanding from XYZ was $99,000 (2006: $193,000).

C. TRANSACTIONS WITH ASSOCIATED COMPANIES

TVSN Channel Pty Limited ("TVSN") and EXPO Network Pty Limited ("EXPO")

Due to the sale of TVSN and Expo from 16 July 2007, these entities ceased being recorded as related parties and are captured as normal trade receivables.

NOTE 27. RELATED PARTIES (CONTINUED)

C. TRANSACTIONS WITH ASSOCIATED COMPANIES (CONTINUED)

TVSN Channel Pty Limited ("TVSN") and EXPO Network Pty Limited ("EXPO") (continued)

Up until the sale of TVSN and Expo on 16 July 2007 the value of commission and distribution fees received was $322,000 and $678,000 for TVSN and Expo respectively (2006: $674,000 and $1,324,000 for TVSN and Expo respectively).

D. TRANSACTIONS WITH ULTIMATE CONTROLLING ENTITY

Management fees and expenses

All management fees are paid to LGI. The amount of management fee expense for the year is $2,866,000 (2006: $3,210,000). The management fee accrued in current payables as at 31 December is $228,000 (2006: $761,000).

The Consolidated entity is required to reimburse LGI for any costs incurred on behalf of the Consolidated entity. The Consolidated entity reimbursed $632,000 costs in the current period (2006: $64,000). In addition, the Consolidated entity and the Company has recognised a $49,000 receivable from LGI for the reimbursement of expenses paid on their behalf at 31 December 2007 (2006: $658,000).

Technical Assistance Agreement

The amounts due to the Consolidated entity's related entity LGI which were interest bearing at a rate of 10.22% per annum compounding quarterly in arrears, were repaid on 11 August 2006. These payments comprised $14,440,000 for the principal amount and $2,929,000 for the interest component during the prior year.

Interest

The interest expense for the year is $nil (2006: $1,143,000) which related entirely to the Technical Assistance Agreement. As noted above, all outstanding accrued interest and related loan was repaid on 11 August 2006.

Convertible notes

During the prior year, the Company had on issue four convertible notes to a wholly owned subsidiary of UnitedGlobalCom Inc. totalling $878,000. These convertible notes bore interest at 11% per annum. The interest expense for the prior period up until conversion was $119,000. These notes were converted to 6,240,152 ordinary shares on the 11 October 2006.

E. RELATED PARTY TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Refer Note 28 for details of related party transactions with key management personnel.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were Key Management Personnel (KMP) of the Consolidated entity at any time during the reporting period and unless otherwise indicated were Key Management Personnel for the entire period:

A. DETAILS OF KEY MANAGEMENT PERSONNEL

i. Non-Executive Directors

John W Dick

Tim D Downing (Deputy Chairman)

Michael T Fries (Chairman)

Justin H Gardener

Shane O'Neill (appointed and KMP from 5 January 2006)

Gene W Schneider

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

A. DETAILS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

ii. Executive Director

John C Porter (Chief Executive Officer)

iii. Executives

The following persons were the executives with the greatest authority for the planning, directing and controlling of activities of the Company and the Consolidated entity during the year ended 31 December 2007:

- Philip W Knox (Chief Financial Officer);
- Dana M Strong (Chief Operating Officer);
- Deanne E Weir (Group Director, Corporate Development and Legal Affairs);
- Nikki R Warburton (Group Director, Product Sales and Marketing); and
- Dean E Walters (Chief Information Officer, Director of Operations)[i].

In the prior year, the following additional executives were considered KMP:

- Nikki R Warburton (Group Director, Product Sales and Marketing)[ii];
- Warwick D Denby (Director, Products and Services)[ii]; and
- Simon M Raby (Director Sales)[ii].

(i) Dean E Walters is considered a KMP from 19 July 2007.

(ii) During the prior year, the Consolidated entity restructured the key management team to bring together the four key elements of the business into four functional areas of responsibility. This had the effect of including Ms Warburton as a KMP from 25 August 2006 and excluding Mr Raby and Mr Denby as KMP from 25 August 2006.

B. KEY MANAGEMENT PERSONNEL COMPENSATION

The Consolidated entity has applied the option to transfer key management personnel remuneration disclosures relating to service contracts, remuneration policies and principles required by AASB124 *Related Party Disclosures* to the Remuneration report section of the Directors Report on pages 20 to 24. These transferred disclosures have been audited.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

B. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

		SHORT-TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS					
Name		Salary & allowances $	Cash bonus[i] $	Non-monetary benefits & FBT thereon $	Superannuation $	Subtotal $	Share based remuneration (options)[ii] $	Share-based remuneration (LTIP)[iii] $	Total $	% of Total performance related %
Non-executive Directors										
John W Dick[iv]	**2007**	–	–	–	–	–	–	–	–	–
	2006	–	–	–	–	–	–	–	–	–
Tim D Downing	**2007**	65,000	–	–	5,850	70,850	–	–	70,850	0%
	2006	65,000	–	–	5,850	70,850	–	–	70,850	0%
Michael T Fries[iv]	**2007**	–	–	–	–	–	–	–	–	–
	2006	–	–	–	–	–	–	–	–	–
Justin H Gardener	**2007**	65,000	–	–	5,850	70,850	–	–	70,850	0%
	2006	65,000	–	–	5,850	70,850	–	–	70,850	0%
Shane O'Neill[iv]	**2007**	–	–	–	–	–	–	–	–	–
	2006	–	–	–	–	–	–	–	–	–
Gene W Schneider[iv]	**2007**	–	–	–	–	–	–	–	–	–
	2006	–	–	–	–	–	–	–	–	–
Executive Director										
John C Porter	**2007**	729,547	301,407	564,648	50,000	1,645,602	60,052	1,931,808	3,637,462	64%
	2006	727,164	112,818	524,371	44,480	1,408,833	60,052	–	1,468,885	12%
Total Directors										
	2007	859,547	301,407	564,648	61,700	1,787,302	60,052	1,931,808	3,779,162	
	2006	857,164	112,818	524,371	56,180	1,550,533	60,052	–	1.610,585	

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

B. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

		SHORT-TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS					
Name		Salary & allowances $	Cash bonus[i] $	Non-monetary benefits & FBT thereon $	Superannuation $	Subtotal $	Share-based remuneration (options)[ii] $	Share based remuneration (LTIP)[iii] $	Total $	% of Total performance related %
KMP (excl Directors)										
Philip W Knox	**2007**	355,948	141,277	4,947	44,750	546,922	21,149	817,660	1,385,731	72%
	2006	329,933	63,050	7,199	35,368	435,550	21,149	–	456,699	18%
Dana M Strong	**2007**	316,176	129,462	97,257	31,724	574,619	21,149	1,196,595	1,792,363	76%
	2006	489,250	74,797	130,450	41,335	735,832	21,149	–	756,981	13%
Nikki R Warburton	**2007**	336,669	130,000	4,947	42,000	513,616	12,007	809,904	1,335,527	72%
	[vi] 2006	118,981	27,417	2,210	13,176	161,784	4,211	–	165,995	19%
Dean E Walters	[v] **2007**	150,546	61,800	–	15,809	228,155	5,428	337,773	571,356	72%
Deanne E Weir	**2007**	362,423	151,543	35,494	46,257	595,717	21,149	905,327	1,522,193	72%
	2006	352,441	72,285	40,552	38,225	503,503	21,149	–	524,652	18%
Warwick D Denby	[vi] 2006	151,866	30,794	5,285	16,439	204,384	7,796	–	212,180	18%
Simon M Raby	[vi] 2006	164,886	68,737	2,042	21,026	256,691	7,796	–	264,487	29%
Total KMP (excl Directors)										
	2007	1,521,762	614,082	142,645	180,540	2,459,029	80,882	4,067,259	6,607,170	
	2006	1,607,357	337,080	187,738	165,569	2,297,744	83,250	–	2,380,994	
Total Consolidated entity KMP										
	2007	2,381,309	915,489	707,293	242,240	4,246,331	140,934	5,999,067	10,386,332	
	2006	2,464,521	449,898	712,109	221,749	3,848,277	143,302	–	3,991,579	

(i) Cash bonuses are determined on finalisation of the Consolidated entity's 31 December 2007 financial results and will be paid during 2008.

(ii) Share based payments – options

B Class shares

The B Class shares are treated as options. Refer to Note 20(c) of the Consolidated Financial Report for terms and conditions of the Share Plan. The value of the benefit attributed to the B Class shares has been calculated using the principles of AASB2 *Share-based payment*, using a Black-Scholes methodology. The benefit attributable to the B Class shares is recognised on a time proportionate basis over the vesting period. The main assumptions are an exercise price of $0.3755 and a price of $0.3755 for the Ordinary shares being the price on the date of issue of the B Class shares, a volatility rate of 40% per annum and a risk free rate of 6.04%. The benefit of the limited recourse, interest-free loan attached to the shares is effectively included in the value of the options calculated above.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

B. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

(iii) Share-based payments – LTIP

2007 Long Term Incentive Plan

During the year, the Consolidated entity instituted a new long-term incentive plan. Given the management restructure in 2006 and the vesting of the final options issued under the 2003 Senior Management Share Plan which will occur in April 2008, the Remuneration Committee has reviewed the Consolidated entity's on-going executive remuneration structure. Based on the recommendations of this review the board approved a new long-term incentive plan on 31 July 2007 which is based on the Liberty Global Senior Executive Performance Incentive Plan.

Under the "2007 Long Term Incentive Plan" 25 Senior Executives are entitled to an award calculated on a two year performance period ending December 2008 and vesting in bi-annual tranches over the subsequent three year service period to September 2011. For the award to vest, the Consolidated entity must achieve a Compound Annual Growth Rate ("CAGR") of at least 15% in Earnings before interest, taxation, depreciation and amortisation ("EBITDA") over the 2006 to 2008 performance period. The maximum award is payable if a CAGR of 20% is achieved. The plan can be settled either in shares or cash at the option of the Company. Subject to any necessary approvals the plan is expected to be paid out in shares, converted at the market price on each vesting date.

The 2007 Long Term Incentive Plan is accounted for as an equity settled share-based payment under AASB 2 *Share-based payment*. No cash payments have been made.

The fair value was estimated at the date the participants were notified on 2 May 2007. The fair value is based on achieving the maximum 20% EBITDA CAGR target, estimated staff turnover of senior executives and a risk free rate of 6.06%. The fair value of the plan at inception totalled $38.5 million and is expensed on a time proportionate basis over the vesting periods for each tranche.

(iv) The non-executive Directors associated with UAP agreed to a waiver of fees.

(v) Mr Walters is included as a KMP in the current year from 19 July 2007.

(vi) In the prior year, as a result of the restructure of the senior management team, amounts shown above include Ms Warburton's remuneration during the previous reporting period from 25 August 2006 to 31 December 2006. Mr Denby and Mr Raby ceased being classified as KMP at this time and amounts shown above include all remuneration received during the period they were classified as KMP.

C. OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

The movement during the reporting period in the number of options and rights over ordinary shares in Austar United Communications Limited held, directly, indirectly or beneficially, by each of the key management personnel and their related parties is as follows:

	EXECUTIVE DIRECTOR & KMP	KEY MANAGEMENT PERSONNEL				
2007	John C Porter	Philip W Knox	Dana M Strong	Nikki R Warburton	Dean E Walters[i]	Deanne E Weir
B Class shares						
Opening balance	14,010,670	4,934,337	4,934,337	2,801,346	2,801,346	4,934,337
Converted to ordinary shares during the year	–	–	–	–	–	–
Closing balance	**14,010,670**	**4,934,337**	**4,934,337**	**2,801,346**	**2,801,346**	**4,934,337**
Vested during the year	–	–	–	–	–	–
Vested and exercisable at 31 December 2007	–	–	–	–	–	–

(i) In the current year, Mr Walters became classified as a KMP from 19 July 2007. The opening balance disclosed is as at the date he became a KMP.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

C. OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION (CONTINUED)

	EXECUTIVE DIRECTOR & KMP	KEY MANAGEMENT PERSONNEL					
2006	John C Porter	Warwick D Denby	Philip W Knox	Simon B Raby	Dana M Strong	Nikki R Warburton[i]	Deanne E Weir
A Class purchase shares							
Opening balance	843,750	843,750	518,750	–	917,000	–	468,750
Converted to ordinary shares during the year	(843,750)	(843,750)	(518,750)	–	(917,000)	–	(468,750)
Closing balance	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Vested during the year	–	–	–	–	–	–	–
Vested and exercisable at 31 December 2006	–	–	–	–	–	–	–
A Class matching shares							
Opening balance	1,687,500	1,462,500	1,037,500	–	1,834,000	–	937,500
Converted to ordinary shares during the year	(1,687,500)	(1,462,500)	(1,037,500)	–	(1,834,000)	–	(937,500)
Closing balance	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Vested during the year	–	–	–	–	–	–	–
Vested and exercisable at 31 December 2006	–	–	–	–	–	–	–
B Class shares							
Opening balance	14,010,670	2,801,346	4,934,337	2,801,346	4,934,337	2,801,346	4,934,337
Converted to ordinary shares during the year	–	–	–	–	–	–	–
Closing balance	**14,010,670**	**2,801,346**	**4,934,337**	**2,801,346**	**4,934,337**	**2,801,346**	**4,934,337**
Vested during the year	–	–	–	–	–	–	–
Vested and exercisable at 31 December 2006	–	–	–	–	–	–	–

No shares or options were granted to KMPs as part of their compensation during 2007 and 2006. Further details are provided in the Remuneration report on pages 20 to 24 of the Directors report and in Note 20.

No options were forfeited, or lapsed during 2007 or 2006. No options vested during 2007 and 2006. The remaining B Class shares were not vested or exercisable at 31 December 2007. In addition, no options have been granted since the end of the financial year. There are no amounts unpaid on the shares issued as a result of the exercise of options in 2006.

(i) Ms Warburton disposed of her A Class matching shareholding prior to becoming classified as a KMP in 2006.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

D. LOANS TO KEY MANAGEMENT PERSONNEL

There are no loans outstanding at the reporting date to KMP and their related parties.

Details regarding loans outstanding in the prior reporting date to KMP and their related parties, in aggregate and individually where an individual's loan balances exceeded $100,000 at any time in the prior year were, as follows:

2006	Balance 1 January 2006 $	Balance 31 December 2006 $	Interest paid and payable in the reporting period $	Arm's length interest not charged $	Highest balance in period $
Executive Director					
John C Porter	526,040	–	–	9,336	526,040
KMP					
Dana M Strong	419,162	–	–	7,439	419,162
Total for key management personnel and their related parties	**1,162,421**	**–**	**–**	**20,629**	**1,162,421**
No. of key management personnel included above	6	–	–	6	6

The above loans were provided to the KMP and their related parties to finance the conversion of the B Class shares to Ordinary shares in accordance with the details of the share plan disclosed in Note 20. These loans were repayable on the earlier of the individual's sale of the corresponding Ordinary shares and 31 March 2006 and were classified as a current receivable in the prior year. The loans did not involve any actual payments of cash by the Company to the participants. The fair value of loans and arm's length interest has been calculated assuming a rate of 7.05% per annum. These loans were all repaid prior to 31 March 2006.

E. SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

The beneficial interests of each Director and their related parties in the Ordinary shares of the Company are as follows:

	Opening balance	Received on exercise of equity instruments	Acquired during the year	Closing balance
2007				
Directors				
John W Dick[i]	–	–	–	–
Tim D Downing	189,897	–	–	189,897
Michael T Fries[i]	–	–	–	–
Justin H Gardener	217,300	–	–	217,300
Shane O'Neill	–	–	–	–
John C Porter	4,049,129	–	–	4,049,129
Gene W Schneider[i]	–	–	–	–
2006				
Directors				
John W Dick[i]	–	–	–	–
Tim D Downing	189,897	–	–	189,897
Michael T Fries[i]	–	–	–	–
Justin H Gardener	177,300	–	40,000	217,300
Shane O'Neill	–	–	–	–
John C Porter	1,517,879	2,531,250	–	4,049,129
Gene W Schneider[i]	–	–	–	–

(i) As at the date of this report John W Dick, Michael T Fries, and Gene W Schneider were directors or officers of companies that are indirect shareholders of companies comprising the Liberty Global, Inc. Group, which through its indirect holdings, owns 53.4% of the Ordinary shares of the Company.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

E. SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

The beneficial interests of each KMP and their related parties in the ordinary shares of the Company are as follows:

	Opening balance	Received on exercise of equity instruments	Acquired during the year	Sales	Closing balance
2007					
KMP					
Philip W Knox	1,995,860	–	–	–	1,995,860
Dana M Strong	2,783,292	–	–	(775,682)	2,007,610
Nikki Warburton	–	–	–	–	–
Deanne E Weir	1,722,690	–	–	–	1,722,690
Dean Walters[(i)]	100,000	–	–	–	100,000
2006					
KMP					
Warwick D Denby[(ii)]	105,675	2,306,250	–	(1,597,003)	814,922
Philip W Knox	189,610	1,556,250	250,000	–	1,995,860
Simon M Raby[(ii)]	105,675	–	–	(105,675)	–
Dana M Strong	1,139,610	2,751,000	–	(1,107,318)	2,783,292
Nikki Warburton[(ii)]	105,675	–	–	(105,675)	–
Deanne E Weir	316,440	1,406,250	–	–	1,722,690

(i) In the current year, Mr Walters became classified as a KMP from 19 July 2007. The opening balance disclosed is as at the date he became a KMP.

(ii) In the prior year, Ms Warburton became a KMP and both Mr Denby and Mr Raby ceased being classified as KMP on 25 August 2006 due to the restructure of the senior management team. The opening and closing balances disclosed above are as at the respective dates these KMP became/ceased being recognised as KMP.

NOTE 29. COMMITMENTS

A. NON-CANCELLABLE OPERATING LEASES ARE PAYABLE AS FOLLOWS:

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
– less than one year	10,098	9,580	–	–
– between one year and five years	39,802	36,826	–	–
– longer than five years	48,343	57,932	–	–
	98,243	**104,338**	**–**	**–**

Operating leases comprises satellite carriage commitments, office, site and motor vehicle leases.

During the year ended 31 December 2007, $9,738,742 was recognised as an expense in the income statement (2006: $9,507,000) in respect of the above operating leases.

Operating leases are entered into as a means of acquiring access to property and premises. Rental payments are generally fixed but with fixed escalation clauses on which contingent rentals are determined. No operating leases contain restrictions on financing or other leasing activities.

The Consolidated entity has satellite carriage commitments for a period of a further 11 years. The two office premises leases run for a period of five and 15 years, with an option to renew the lease for another five years and ten years respectively. The seven wireless broadband site leases run for periods between four and 19 years.

NOTE 29. COMMITMENTS (CONTINUED)

B. LEASES AS LESSOR

The Consolidated entity leases out its surplus premises under operating lease. The future minimum lease payments under non-cancellable leases are as $nil (2006: $91,000).

C. PROGRAMMING COMMITMENTS

Certain controlled entities of the Company have entered into programming agreements with a number of suppliers. Programming agreements have been negotiated with payments generally being tiered, based upon the level of subscribers. Certain agreements provide for minimum payments, with most of these based upon minimum subscriber guarantees.

	CONSOLIDATED		COMPANY	
	Dec 2007 $'000	Dec 2006 $'000	Dec 2007 $'000	Dec 2006 $'000
Future programming commitments contracted and not provided for and payable:				
– less than one year	151	151	–	–
– between one year and five years	597	602	–	–
– longer than five years	146	292	–	–
	894	**1,045**	**–**	**–**

D. CAPITAL EXPENDITURE COMMITMENTS

Contracted capital commitments not provided for and payable:				
– not later than one year	355	17,998	–	–
– later than one year but not later than five years	266	8,309	–	–
	621	**26,307**	**–**	**–**

As at 31 December 2007, the Consolidated entity has contracted for, but not provided for, the purchase of set top boxes and smart cards in the amount of $nil (2006: $26,307,000).

NOTE 30. SUBSEQUENT EVENTS

SALE OF SPECTRUM LICENCES

On 7 January 2008, the Consolidated entity announced the sale of its spectrum licence holdings to the OPEL venturers. Under the deal which is subject to various conditions precedent, the Consolidated entity will receive $65 million on completion.

NOTE 31. ULTIMATE CONTROLLING ENTITY

The ultimate controlling entity of the Consolidated entity in Australia is Austar United Communications Limited. The immediate parent entity of the Company is United Austar Partners ("UAP"). The ultimate controlling entity of the Company is Liberty Global, Inc. (incorporated in Delaware, USA) which owned 53.4% of the ordinary shares of the Company at 31 December 2007 through indirect shareholdings.

NOTE 32. DIVIDENDS

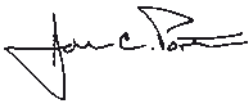
No dividends of the Company have been paid, declared or recommended during or since the end of the year. There are no franking credits available to shareholders of Austar United Communications Limited.

Directors' Declaration

1. In the opinion of the Directors of Austar United Communications Limited ("the Company"):
   a. the financial report and notes and the remuneration disclosures that are contained in the Remuneration report in the Directors' report are set out on pages 20 to 24 and 33 to 79, are in accordance with the Corporations Act 2001, including;
      i. giving a true and fair view of the financial position of the Company and the Consolidated entity as at 31 December 2007 and of their performance, for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a);
   c. the remuneration disclosures that are contained on pages 20 to 24 in the Remuneration report in the Directors' report and pages 71 to 78 in the notes to the financial report comply with Australian Accounting Standards AASB 124 *Related Party Disclosures*; and
   d. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 24(b) will be able to meet any obligations or liabilities to which they are, or may become subject by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations pursuant to Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial year ended 31 December 2007.

Signed in accordance with a resolution of the Directors:

Mr Michael T Fries
Director



Mr John C Porter
Director

Sydney
26 February 2008

Independent Audit Report

to the members of Austar United Communications Limited

Independent Auditor's Report to the members of Austar United Communications Limited

We have audited the accompanying financial report of Austar United Communications Limited ("the Company"), which comprises the balance sheets as at 31 December 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 32 and the directors' declaration of the Consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration report contained in section 5 of the directors' report. As permitted by the *Corporations Regulations 2001*, the Company has disclosed certain information about the remuneration of directors and executives (remuneration disclosures), including those required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in section 5 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Consolidated entity's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Austar United Communications Limited is in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Company's and Consolidated entity's financial position as at 31 December 2007 and of their performance for the financial year ended on that date; and

ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on the remuneration report contained in the directors' report

In our opinion the remuneration disclosures in section 5 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

Sydney, 26 February 2008

Kenneth Reid
Partner

ASX – Additional Information

Additional information required by the Australian Securities Exchange ("ASX") Rules and not disclosed elsewhere in this report.

SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS

The Company has one substantial shareholder, Liberty Global, Inc, through its indirect shareholdings in United Austar Partners and United AUN, LLC. The number of ordinary shares held by the substantial shareholder as at 4 April 2008 were:

Shareholder	Number of Shares
United Austar Partners[(i)]	682,218,242
United AUN, LLC	6,240,152
	688,458,394

(i) Includes an additional 12,200,000 Ordinary shares, assuming completion of the proposed acquisition by United Austar Partners under conditional sale agreements entered into on 1 April 2008.

CLASS OF SHARES AND VOTING RIGHTS

At 4 April 2008, there were 6,130 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in clause 7.8 of the Company's Constitution are:

a. Subject to this constitution and to any rights or restrictions attached to any shares or class of shares, at a general meeting:
   i. On a show of hands, every member present in person or by proxy, attorney or representative has one vote; and
   ii. On a poll, every member present has:
      A. one vote for each fully paid share held by the member and in respect of which member is entitled to vote; and
      B. a fraction of a vote for each partly paid share held by the member in respect of which the member is entitled to vote, equivalent to the proportion which the amount paid up (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited). Amounts paid or credited as paid in advance of a call are ignored when calculating the fraction.

At 4 April 2008, there were no holders of the A Class shares of the Company.

At 4 April 2008, there were no holders of the B Class shares of the Company, due to the B Class shares vesting and all being converted to Ordinary Shares at 1 April 2008.

DISTRIBUTION OF SHAREHOLDERS (AS AT 4 APRIL 2008)

	NUMBER OF SHAREHOLDERS	
Shareholder	Ordinary	Options
1–1,000	2,183	–
1,001–5,000	2,260	–
5,001–10,000	729	–
10,001–100,000	814	2
100,001 and over	144	–

The number of ordinary shareholders holding less than a marketable parcel at 4 April 2008 was 218.

TWENTY LARGEST ORDINARY SHAREHOLDERS (AS AT 4 APRIL 2008)

Name	Number of Ordinary Shares held	Percentage of Capital Held
United Austar Partners[i]	682,218,242	51.67%
National Nominees Limited	153,230,984	11.60%
JP Morgan Nominees Australia Limited	112,707,726	8.54%
HSBC Custody Nominees (Australia) Limited – a/c 2	51,474,525	3.90%
HSBC Custody Nominees (Australia) Limited	46,857,911	3.55%
ANZ Nominees Limited	29,670,359	2.25%
Cogent Nominees Limited	27,018,662	2.05%
Citicorp Nominees Pty Limited	20,706,607	1.57%
Mr John Clinton Porter	16,534,899	1.25%
RBC Dexia Investor Services Australia Nominees Pty Ltd	10,255,067	0.77%
RBC Dexia Investor Services Australia Nominees Pty Limited	8,796,997	0.67%
Ms Deanne Evelyn Weir	6,657,027	0.50%
Citicorp Nominees Pty Limited	6,566,438	0.50%
Mrs Dana Marie McDonald Strong	6,341,947	0.48%
UBS Nominees Pty Ltd	6,307,126	0.48%
United AUN LLC	6,240,152	0.47%
Mr Philip William Knox	6,161,447	0.47%
Citicorp Nominees Pty Limited	5,342,427	0.40%
Sandhurst Trustees Ltd	5,259,979	0.40%
Citicorp Nominees Pty Limited	3,728,694	0.28%
Total Top Holders Balance	**1,212,047,216**	**91.79%**

(i) Includes an additional 12,200,000 Ordinary shares, assuming completion of the proposed acquisition by United Austar Partners under conditional sale agreements entered into on 1 April 2008.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

OTHER INFORMATION

Austar United Communications Limited, incorporated in Australia and domiciled in New South Wales, is a publicly listed company limited by shares.

Definitions

ARPU
Recurring residential subscription revenue for the period divided by average number of residential television subscribers, divided by number of months in the period.

CAGR
Compound annual growth rate.

CHURN
Number of account holders whose service is terminated during the period, less those accounts which are restarted within 30 days of termination, divided by the average number of Subscribers for the period, divided by number of months in the period.

COMMERCIAL EQUIVALENT BASIC UNIT ("EBU")
A calculation used to compare commercial television subscribers to residential subscribers calculated by dividing recurring monthly commercial revenue by the average basic rate.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")
Represents earnings before interest, tax, depreciation, amortisation, and excludes stock based compensation expenses, foreign exchange gain/loss and share of associates and significant items.

KEY MANAGEMENT PERSONNEL ("KMP")
Persons with the greatest authority for the planning, directing and controlling of activities of the Company and the Consolidated entity.

SUBSCRIBER
Residential television subscribers, plus Commercial EBU.

DIRECTORS

Michael T Fries, Non-Executive Director and Chairman

John C Porter, Executive Director

John W Dick, Non-Executive Director

Tim D Downing, Non-Executive Independent Director and Deputy Chairman

Justin H Gardener, Non-Executive Independent Director

Gene W Schneider, Non-Executive Director

Shane O'Neill, Non-Executive Director

COMPANY SECRETARY

Deanne E Weir

REGISTERED OFFICE

Level 1, 46-52 Mountain Street
Ultimo NSW 2007

Ph +61 2 9251 6999

STOCK EXCHANGE

The Company is listed on the ASX.

The Home Exchange is Sydney.

SHARE REGISTRAR

Computershare Investor Services Pty Limited

GPO Box 7045
Sydney NSW 1115

Level 3, 60 Carrington Street
Sydney NSW 2000

Ph 1800 269 981

INVESTOR INFORMATION

To obtain email alerts about Austar United company announcements and other investor information please visit www.austarunited.com.au

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