

Austar United Communications Limited
ABN 88 087 695 707

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Appendix 4B

Half-yearly/preliminary final report

Introduced 30/6/2002.

Name of entity

Austar United Communications Limited

ABN or equivalent company reference Half yearly (tick) Preliminary final (tick) Half year/financial year ended ('current period')

88 087 695 707



31 December 2002

For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities (<i>item 1.1</i>)	up/down	7.4%	to	344,635
Profit (loss) from ordinary activities after tax attributable to members (<i>item 1.22</i>)	up/down	80.8%	to	(130,981)
Profit (loss) from extraordinary items after tax attributable to members (<i>item 2.5(d)</i>)	gain (loss) of	N/A		
Net profit (loss) for the period attributable to members (<i>item 1.11</i>)	up/down	80.8%	to	(130,981)
Dividends (distributions)		Amount per security	Franked amount per security	
Final dividend (<i>Preliminary final report only - item 15.4</i>)	N/A		N/A	
Interim dividend (<i>Half-yearly report only - item 15.6</i>)	N/A		N/A	
Previous corresponding period (<i>Preliminary final report - item 15.5; half-yearly report - item 15.7</i>)	N/A		N/A	
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (<i>see item 15.2</i>)		N/A		
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

Condensed consolidated statement of financial performance

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities (<i>see items 1.23 -1.25</i>)	344,635	372,136
1.2 Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>)	(438,850)	(909,601)
1.3 Borrowing costs	(40,646)	(33,783)
1.4 Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>)	1,520	(117,555)
1.5 Profit (loss) from ordinary activities before tax	(133,341)	(688,803)
1.6 Income tax on ordinary activities	-	-
1.7 Profit (loss) from ordinary activities after tax	(133,341)	(688,803)
1.8 Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	-	-
1.9 Net profit (loss)	(133,341)	(688,803)
1.10 Net profit (loss) attributable to outside +equity interests	2,360	6,732
1.11 Net profit (loss) for the period attributable to members	(130,981)	(682,071)
Non-owner transaction changes in equity		
1.12 Increase (decrease) in revaluation reserves	-	-
1.13 Net exchange gain/(loss) recognised in equity	-	-
1.14 Other revenue, expense and initial adjustments recognised directly in equity	-	-
1.15 Initial adjustments from UIG transitional provisions	-	-
1.16 Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	-	-
1.17 Total changes in equity not resulting from transactions with owners as owners	(130,981)	(682,071)

Earnings per security (EPS)	Current period	Previous corresponding Period
1.18 Basic EPS (see Item 10)	\$(0.183)	\$(1.082)
1.19 Diluted EPS (see Item 10)	\$(0.183)	\$(1.082)

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	(133,341)	(688,803)
1.21 Less (plus) outside ⁺ equity interests	2,360	6,732
1.22 Profit (loss) from ordinary activities after tax, attributable to members	(130,981)	(682,071)

Revenue and expenses from ordinary activities

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Details of revenue from ordinary activities		
Revenue from rendering of services		
Subscription services	307,533	310,790
Advertising	8,333	9,034
License fees	4,000	4,000
Other	555	3
	<u>320,421</u>	<u>323,827</u>
Revenue from sale of goods	12,445	21,215
Proceeds from sale of business	2,000	-
Proceeds from insurance recovery	2,025	-
	<u>16,470</u>	<u>21,215</u>
1.24 Interest revenue	2,405	9,326

1.25	Gross proceeds on sale of non-current assets	5,339	17,768
	Total revenues from ordinary activities	<u>344,635</u>	<u>372,136</u>

		Current period - \$A'000	Previous corresponding period - \$A'000
1.26	Details of relevant expenses		
	Programming and content costs	147,529	163,257
	Network and carriage costs	17,339	38,926
	Merchandise cost of goods sold	7,837	14,402
	Salaries and related labour costs	62,203	102,440
	Advertising and marketing expenses	17,845	27,608
	Billing and collection fees	10,482	10,538
	Service and maintenance costs	8,693	16,628
	Property and outgoings	8,519	15,713
	Guide costs	8,514	9,800
	Bad debts	8,313	14,821
	Communications costs	2,871	13,412
	Management fees	4,418	4,659
	Foreign exchange loss	2,442	1,688
	Business travel and related costs	1,081	2,953
	Professional, consulting and registry	4,643	8,493
	Write-down of investments in associates		
	Loss on the write off of loans receivable	-	5,030
	from TVSN and the impact of the dilution of the Consolidated entity's interest in TVSN	9,080	-
	Write-down of licences	-	172,697
	Write-down of goodwill	-	13,021
	Disposal of goodwill	2,000	-
	Write-down of deferred rights payment	-	3,213
	Write-down of property, plant and equipment	452	34,893
	Other	6,685	9,169
		<u>330,946</u>	<u>683,361</u>

Note: 1.26 Details of relevant expenses are continued at page 6.

	Current period - \$A'000	Previous corresponding period - \$A'000
1.26 Details of relevant expenses (continued)		
Written down value of disposals		
Property, plant & equipment	2,048	-
Intangibles	-	13,582
Investments	-	(4,549)
	<u>2,048</u>	<u>9,033</u>
Amortisation of intangibles		
Spectrum & licences	450	14,223
Goodwill	<u>10,405</u>	<u>12,299</u>
	10,855	26,522
Amortisation of other		
Deferred handset subsidy	<u>3,461</u>	<u>3,672</u>
Deferred premium on FX options	386	-
	<u>3,847</u>	<u>3,672</u>

1.27	Depreciation and amortisation excluding amortisation of intangibles <i>(see item 2.3)</i>		
	Plant & Equipment	87,339	184,994
	Leased plant & equipment	995	1,214
	Leasehold improvements	<u>2,820</u>	<u>805</u>
		<u>-91,154</u>	<u>187,013</u>
		<u> </u>	<u> </u>
	Total expenses from ordinary activities	<u><u>438,850</u></u>	<u><u>909,681</u></u>

	Current period - \$A'000	Previous corresponding period - \$A'000
Expenses/(revenues) included in loss from ordinary activities before income tax expense:		

Significant items:		
Loss on the write off of loans receivable from TVSN and the impact of the dilution of the Consolidated entity's interest in TVSN	9,080	-
Proceeds from sale of business	(2,000)	-
Disposal of goodwill	2,000	-
Provision for surplus lease space	1,000	-
Other net assets of business	455	-
Net loss	1,455	-
Proceeds from insurance recovery		
Write-down of property, plant and Equipment	(2,025)	-
Other costs	452	-
Net gain	15	-
	(1,558)	-
Redundancies		
Provision for surplus office space and related obligations	-	4,232
Provision for network obligations	883	3,404
Write-down of licences	-	4,453
Write-down of goodwill	-	172,697
Write-down of property, plant & equipment	-	13,021
Write-down of deferred rights payment	-	34,893
Write-off of receivables	-	3,213
Write-down of investments in associates	-	5,117
Net loss	-	5,030
	883	246,060
	9,860	246,060
Gains:		
Net profit on disposal of investment includes the following gain on sale of United Wireless:		
Revenue from the sale of shares	-	(3,000)
Carrying value of asset sold	-	(4,549)
Gain on sale	-	(7,549)
Net gain on intangibles includes the following gain:		
Revenue from sale of the 3.4Ghz licences	-	(14,075)
Carrying value of licences sold	-	13,582
Gain on sale	-	(493)
	Current period - \$A'000	Previous corresponding period - \$A'000

Expenses/(revenues) included in loss from ordinary activities before income tax expense (continued)		
Other gain on sale of property, plant & equipment includes the following:		
Proceeds on sale	(5,339)	(694)
Carrying value of assets sold	2,048	-
Gain on sale	<u>(3,291)</u>	<u>(694)</u>

	Current period - \$A'000	Previous corresponding period - \$A'000
Capitalised outlays		
1.28 Interest costs capitalised in asset values	-	-
1.29 Outlays capitalised in intangibles (unless arising from an [†] acquisition of a business)	13,566 ¹	786

Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	(1,112,793)	(430,722)
1.31 Net profit (loss) attributable to members (item 1.11)	(130,981)	(682,071)
1.32 Net transfers from (to) reserves (details if material)	-	-
1.33 Net effect of changes in accounting policies	-	-
1.34 Dividends and other equity distributions paid or payable	-	-

¹ Pursuant to the restructuring of the Austar Entertainment \$400 million Senior Secured Amortising Term facility the Consolidated entity paid fees to the lenders and other professional and legal advisers of \$13,566,000.

1.35 Retained profits (accumulated losses) at end of financial period	(1,243,774)	(1,112,793)
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Intangible and extraordinary items – Current period

<i>Consolidated - current period</i>				
	Before tax \$A'000 (a)	Related tax \$A'000 (b)	Related outside + equity interests \$A'000 (c)	Amount (after tax) attributable to members \$A'000 (d)
2.1 Amortisation of goodwill	(10,405)	-	-	(10,405)
2.2 Amortisation of other intangibles ²	(450)	-	-	(450)
2.3 Total amortisation of intangibles	(10,855)	-	-	(10,855)
2.4 Extraordinary items (details)	-	-	-	-
2.5 Total extraordinary items	-	-	-	-

Intangible and extraordinary items – Previous corresponding period

<i>Consolidated - previous corresponding period</i>				
	Before tax \$A'000 (a)	Related tax \$A'000 (b)	Related outside + equity interests \$A'000 (c)	Amount (after tax) attributable to members \$A'000 (d)
2.1 Amortisation of goodwill	(12,299)	-	-	(12,299)
2.2 Amortisation of other intangibles	(14,223)	-	-	(14,223)
2.3 Total amortisation of intangibles	(26,522)	-	-	(26,522)
2.4 Extraordinary items (details)	-	-	-	-

² Amortisation of other intangibles represents amortisation of licenses (\$450,000).

2.5	Total items	extraordinary	-	-	-	-
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Comparison of half year profits

(Preliminary final report only)

	Current year - \$A'000	Previous year - \$A'000
3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the <i>1st</i> half year (item 1.22 in the half yearly report)	(94,428)	(196,086)
3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the <i>2nd</i> half year	(36,553)	(485,985)

Condensed consolidated statement of financial position

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000	
Current assets				
4.1	Cash assets	32,500	103,173	44,902
4.2	Receivables	11,496	24,419	29,120
4.3	Other financial assets	-	-	-
4.4	Inventories	152	4,595	745
4.5	Tax assets	-	-	-
4.6	Other – prepaids/security deposits	6,866	7,844	6,757
4.7	Total current assets	51,014	140,031	81,524
Non-current assets				
4.8	Receivables	6,383	6,905	3,797
4.9	Investments (equity accounted)	38,191	41,166	38,577
4.10	Other financial assets	-	343	333
4.11	Inventories	-	-	-
4.12	Exploration and evaluation expenditure capitalised	-	-	-
4.13	Development properties	-	-	-
4.14	Other property, plant and equipment (net)	62,370	123,484	74,874
4.15	Intangibles (net)	109,690	112,425	118,391
4.16	Tax assets	-	-	-
4.17	Other – deferred expenditure	9,071	5,350	7,134
4.18	Total non-current assets	225,705	289,673	243,106
4.19	Total assets	276,719	429,704	324,630
Current liabilities				
4.20	Payables	54,694	92,254	75,828
4.21	Interest bearing liabilities	413,918	3,322	2,149
4.22	Tax liabilities	58	76	67
4.23	Provisions exc. tax liabilities	5,912	13,937	9,225
4.24	Other	2,212	1,798	2,427
4.25	Total current liabilities	476,794	111,387	89,696
Non-current liabilities				
4.26	Payables	30,967	32,940	36,913
4.27	Interest bearing liabilities	7,447	405,445	401,216
4.28	Tax liabilities	-	-	-
4.29	Provisions exc. tax liabilities	2,087	3,318	828
4.30	Other	-	-	-
4.31	Total non-current liabilities	40,501	441,703	438,957
4.32	Total liabilities	517,295	553,090	528,653

4.33	Net liabilities	(240,576)	(123,386)	(204,023)
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Condensed consolidated statement of financial position (continued)

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Equity			
4.34 Capital/contributed equity	1,003,198	1,003,198	1,003,198
4.35 Reserves	-	-	-
4.36 Retained profits (accumulated losses)	(1,243,774)	(1,112,793)	(1,207,221)
4.37 Equity attributable to members of the parent entity	(240,576)	(109,595)	(204,023)
4.38 Outside [†] equity interests in controlled entities	-	(13,791)	-
4.39 Total equity	(240,576)	(123,386)	(204,023)
4.40 Preference capital included as part of 4.37	-	-	-

Notes to the condensed consolidated statement of financial position

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

	Current period \$A'000	Previous corresponding period - \$A'000
5.1 Opening balance	N/A	N/A
5.2 Expenditure incurred during current period		
5.3 Expenditure written off during current period		
5.4 Acquisitions, disposals, revaluation increments, etc.		
5.5 Expenditure transferred to Development Properties		
5.6 Closing balance as shown in the consolidated balance sheet (item 4.12)	N/A	N/A

Development properties

(To be completed only by entities with mining interests if amounts are material)

	Current period \$A'000	Previous corresponding period - \$A'000
6.1 Opening balance	N/A	N/A
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.13)	N/A	N/A

Condensed consolidated statement of cash flows

		Current period \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities			
7.1	Receipts from customers	361,751	373,792
7.2	Payments to suppliers and employees	(338,215)	(447,956)
	Net GST (paid) / received	(9,394)	2,793
7.3	Dividends received from associates	-	-
7.4	Other dividends received	-	-
7.5	Interest and other items of similar nature	3,489	9,905
7.6	Interest and other costs of finance paid	(38,285)	(33,582)
7.7	Income taxes paid	(18)	(49)
7.8	Other – payment of management fees and other costs to related entities	(3,967)	(19,957)
7.9	Net operating cash flows	(24,639)	(115,054)
Cash flows related to investing activities			
7.10	Payment for purchases of property, plant and equipment	(42,085)	(132,188)
7.11	Proceeds from sale of property, plant and equipment and licences	6,402	4,500
7.12	Payment for purchases of equity investments	-	(64,014)
7.13	Payments in respect of deferred expenditure	(1,893)	(930)
7.14	Proceeds from sale of equity investments	178	-
7.15	Loans to other entities	-	(200)
7.16	Loans repaid by other entities	4,595	13,000
7.17	Other ³	4,025	10,992
7.18	Net investing cash flows	(28,778)	(168,840)
Cash flows related to financing activities			
7.19	Proceeds from issues of +securities (shares, options, etc.)	-	201,970
7.20	Proceeds from borrowings	168	-
7.21	Other – Premium on FX options	(1,698)	-
7.22	Other – Finance lease payments and deferred financing costs	(15,726)	(5,037)
7.23	Net financing cash flows	(17,256)	196,933

³ Other investing cash flows include proceeds on disposal of Austar Metro (\$2,000,000) and insurance receipts (\$2,025,000).

	Current period \$A'000	Previous corresponding period - \$A'000
7.24 Net increase (decrease) in cash held	(70,673)	(86,961)
7.25 Cash at beginning of period <i>(see Reconciliation of cash)</i>	103,173	190,134
7.26 Exchange rate adjustments to item 7.25.	-	-
7.27 Cash at end of period <i>(see Reconciliation of cash)</i>	32,500	103,173

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *(If an amount is quantified, show comparative amount.)*

- (a) On 12 April 2002 a subsidiary of the Company disposed of its 50% interest in Massive Media Pty Limited. As consideration, the purchaser will provide services to that subsidiary to a value of \$1,091,000 million over a period not exceeding three years from the date of disposal.
- (b) On 19 June 2002 TVSN Limited completed the acquisition of the Danoz Group of Companies, issued additional equity and raised further debt to fund its operations. As consideration for the purchase of the Danoz Group of Companies TVSN Limited issued shares to the vendor. The effect of these transactions was to dilute the Company's interest in TVSN from 51% to 22%. The cash flows of TVSN Limited have been consolidated with those of the Company up until the date of dilution, 19 June 2002. In December 2002 TVSN issued 13,294,732 shares (4,727,274 shares are subject to shareholder approval), further diluting the Consolidated entity's interest to 20.7% (and 20.0% should shareholder approval be received). There was no financial effect of this subsequent share issue.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current \$A'000	period	Previous corresponding Period - \$A'000
8.1 Cash on hand and at bank ⁴	12,125		11,971
8.2 Deposits at call	20,375		91,202
8.3 Bank overdraft	-		-

⁴ Cash on hand and at bank includes an amount of \$2,007,000 which is held in a collateral account as security for the Austar Entertainment \$400 million debt facility ("the Facility"). The use of this cash is subject to the terms of the Facility.

8.4 Other (provide details)	-	-
8.5 Total cash at end of period (item 7.27)	32,500	103,173

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
9.1 Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue (item 1.1)	(38.69%)	(185.09%)
9.2 Profit after tax / ⁺ equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 4.37)	(54.44%)	(622.36%)

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

- (a) The weighted average number of shares used in the calculation of basic loss per share was 714,107,432.
- (b) The loss used in the calculation of basic loss per share was \$130,981,000.

As the potential ordinary shares of the Company are not dilutive, basic and diluted loss per share are the same for reporting purposes.

NTA backing <i>(see note 7)</i>	Current period	Previous corresponding Period
11.1 Net tangible asset backing per ⁺ ordinary security	(\$0.50)	(\$0.32)

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

- 12.1 Discontinuing Operations

N/A

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	N/A
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired	\$
13.3 Date from which such profit has been calculated	
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$

Loss of control of entities having material effect - Current period

14.1 Name of entity (or group of entities)	TVSN Limited ⁵
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$(4,816,922)
14.3 Date to which the profit (loss) in item 14.2 has been calculated	19th June 2002

⁵ Effective 19 June 2002 the Consolidated entity's interest in TVSN Limited ("TVSN") was diluted from 51% to 22% and the Consolidated entity ceased to control TVSN. In December 2002 TVSN issued approximately 13,294,732 shares (4,727,274 shares are subject to shareholder approval), further diluting the Consolidated entity's interest to 20.7% at balance date (and 20.0% should shareholder approval be received). There was no financial effect of this subsequent share issue.

14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$(7,659,400)
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$(9,080,305)

Dividends (in the case of a trust, distributions)

15.1 Date the dividend (distribution) is payable	N/A
15.2 ⁺ Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if ⁺ securities are not ⁺ CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if ⁺ securities are ⁺ CHESS approved)	N/A
15.3 If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	N/A

Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year	N/A	N/A	N/A
	Previous year	N/A	N/A	N/A
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year	Nil	Nil	Nil
	Previous year	Nil	Nil	Nil

Total dividend (distribution) per security (interim *plus* final)

(Preliminary final report only)

15.8 ⁺ Ordinary securities	Current year	Previous year
	N/A	N/A

15.9 Preference + securities

N/A	N/A
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Preliminary final report - final dividend (distribution) on all securities

	Current period \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities (each class separately)	Nil	Nil
15.11 Preference +securities (each class separately)	Nil	Nil
15.12 Other equity instruments (each class separately)	Nil	Nil
15.13 Total	Nil	Nil

The + dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the + dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions). (For half-yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)

N/A

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before tax	1,520	(117,555)
16.2 Income tax on ordinary activities	-	-
16.3 Profit (loss) from ordinary activities after tax	1,520	(117,555)
16.4 Extraordinary items net of tax	-	-
16.5 Net profit (loss)	1,520	(117,555)
16.6 Adjustments	-	-

16.7 Share of net profit (loss) of associates and joint venture entities	1,520	(117,555)
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Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
17.1 Equity accounted associates and joint venture entities				
XYZ Entertainment Pty Limited	50%	50%	1,800	6,874
Massive Media Pty Limited (refer to "Non-cash financing & investing activities")	-	50%	(280)	(2,530)
TelstraClear Limited ⁶	41.6%	41.6%	-	(121,899)
TVSN Limited ⁷	20.7%	51%	-	-
17.2 Total			1,520	(117,555)
17.3 Other material interests			-	-
17.4 Total			1,520	(117,555)

⁶ The carrying value of the Consolidated entity's interest in TelstraClear Limited was written down to zero at 31 December 2001. See also Note 3 Subsequent Events.

⁷ Effective 19 June 2002 the Consolidated entity's interest in TVSN Limited ("TVSN") was diluted from 51% to 22% and the Consolidated entity ceased to control TVSN. The carrying value of the Consolidated entity's interest in TVSN Limited was written down to zero at 19 June 2002.

In December 2002 TVSN issued 13,294,732 shares (4,727,274 shares are subject to shareholder approval), further diluting the Consolidated entity's interest to 20.7% (and 20.0% should shareholder approval be received). There was no financial effect of this subsequent share issue.

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of ⁺ securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
18.1 Preference ⁺securities	-	-		
18.2 Changes during current period				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buybacks, redemptions	-	-		
18.3 ⁺Ordinary securities	714,109,449	714,109,449		
18.4 Changes during current period				
(a) Increases through issues	4,035	4,035	-	-
(b) Decreases through returns of capital, buybacks	-	-	-	-
18.5 ⁺Convertible debt securities <i>Convertible note to value of \$168,370</i>	567,954	-	0.29645	-
18.6 Changes during current period				
(a) Increases through issues	567,954	-	0.29645	-
(b) Decreases through securities matured, converted	-	-	-	-
18.7 Options <i>Employee Share Option Scheme</i>	48,180,377	-	<i>Exercise Price</i>	<i>Expiry date (if any)</i>
			Various prices \$0.50 to \$8.28	Ten years from date of grant with earliest expiry on 20/7/09
18.8 Issued during current period	24,700,000	-	\$0.50	Ten years from date of grant
18.9 Exercised during current period	-	-	-	-

18.10	Expired during current period	4,422,878		Various prices \$0.50 to \$8.28	Ten years from date of grant
18.11	Debentures <i>(description)</i>				
18.12	Changes during current period				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
18.13	Unsecured notes <i>(description)</i>				
18.14	Changes during current period				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				

Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's +accounts should be reported separately and attached to this report.)

Refer to Note 2.

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by *AASB 1029: Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

- 19.1 Refer to Note 1 of the Notes to the condensed consolidated financial statements for the basis of financial report preparation.
- 19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Nil.

- 19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Refer to the attached notes.

- 19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Nil.

- 19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

Refer to the attached notes.

- 19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

Nil.

- 19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

Nil.

Additional disclosure for trusts

20.1 Number of units held by the management company or responsible entity or their related parties.

N/A

20.2 A statement of the fees and commissions payable to the management company or responsible entity.

N/A

Identify:

- initial service charges
- management fees
- other fees

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

35 Robina Town Centre Drive, Robina, Qld.

Date

30 May 2003

Time

TBA

Approximate date the annual report will be available

April 2003

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

- 2 This report, and the *accounts upon which the report is based (if separate), use the same accounting policies.

- 3 This report does/~~does not~~ give a true and fair view of the matters disclosed.

- 4 This report is based on *accounts to which one of the following applies.

(Tick one)

- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input type="checkbox"/> | The *accounts have been audited. | <input type="checkbox"/> | The *accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The *accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The *accounts have <i>not</i> yet been audited or reviewed. |

- 5 If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

- 6 The entity has/~~does not~~ have a formally constituted audit committee.



Sign here: Date:14 March 2003.....
Director

Print name: John C. Porter

Notes to the condensed consolidated financial statements

Note 1. Basis of preparation of the financial report

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and the Corporations Act 2001. The Condensed Statement of Financial Position as at 31 December 2002 and the Condensed Statement of Financial Performance and Condensed Statement of Cash Flows reflect the operating, investing and financing activities of the Company and the Consolidated entity for the year then ended.

The financial report has been prepared in accordance with the historical cost convention using Australian Dollars as the reporting currency. Further, the financial report does not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets.

As at 31 December 2002 the Consolidated entity has a deficiency in total equity of \$240,576,000. The Company and certain controlled entities in the Consolidated entity are party to the Austar Entertainment \$400 million Debt Facility ("the Facility"). As at 30 September 2002 and 31 December 2002 the Consolidated entity was in breach of a Minimum Pay TV Subscriber covenant to the Facility. The ability of the Company and the Consolidated entity to continue as a going concern and to rectify the deficiency in total equity is dependent on:

- The Consolidated entity being able to renegotiate the terms of the Facility; and
- The Company and the Consolidated entity being able to generate the cash flows they require enabling them to realise their assets and extinguish their liabilities in the normal course of business, and at the amounts stated in the financial report.

The Consolidated entity has sought a waiver of the Minimum Pay TV Subscriber covenant as at 30 September 2002 and 31 December 2002 and is seeking to renegotiate certain other covenants to the Facility. As at the date of this report the advances have not been declared immediately due and payable and a term sheet has been exchanged. The Directors have reasonable grounds to believe that the Facility will be successfully renegotiated. However as the negotiations have not been completed the Facility has been classified as a current interest bearing liability in accordance with the relevant accounting standards.

During 2002 various restructuring initiatives announced at the end of the fourth quarter of 2001 were completed. As a result of these restructuring initiatives the Consolidated entity reduced its operating expenditures and improved its cash flows. The Company and the Consolidated entity are now well positioned to grow the business in 2003.

Accordingly, the Directors believe that the preparation of the financial report on a going concern basis is appropriate.

Should the Company or the Consolidated entity be unable to renegotiate the Facility or be unable to generate the cash flows they require to enable them to realise their assets and extinguish their liabilities in the normal course of business, and at the amounts stated in the financial report then it is unlikely that the Company and the Consolidated entity will be able to rectify the deficiency in total equity and continue as a going concern. The financial report does not take into account the changes that might be necessary to the carrying amounts and classification of the assets and the amount and classification of liabilities should the Company or the Consolidated entity not be able to generate the required cash flows from its operating and financing activities to enable it to continue as a going concern.

These accounting policies have been consistently applied by the Company and each entity in the Consolidated entity and are consistent with those adopted in the previous year.

Note 2. Segment Information

Primary reporting - business segments

	<u>Subscription Services</u>		<u>Other</u>		<u>Inter-segment eliminations</u>		<u>Consolidated</u>	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue								
External Segment Revenue	320,421	323,827	12,445	21,215	-	-	332,866	345,042
Inter-Segment Revenue	240	318	-	-	(240)	(318)	-	-
Total Segment Revenue	320,661	324,145	12,445	21,215	(240)	(318)	332,866	345,042
Unallocated revenue							11,769	27,094
Total Revenue							344,635	372,136
Result								
Segment Result	(127,903)	(320,778)	(4,817)	(13,738)	-	-	(132,720)	(334,514)
Shares of net profits/(losses) of associates & joint ventures							1,520	(117,555)
Unallocated revenue less unallocated expenses							(2,141)	(236,734)
Net loss from ordinary activities							(133,341)	(688,803)
Depreciation & amortisation	(96,445)	(208,733)	(994)	(1,825)			(97,439)	(208,558)
Amortisation of goodwill	(10,405)	(12,308)	-	(7)			(10,405)	(12,313)
Individually significant items								
Loss on write off of loans receivable from TVSN and impact of dilution interest in TVSN	(9,080)	-	-	-				
Sale of business								
Proceeds from sale of business	2,000	-	-	-				
Write off of goodwill	(2,000)	-	-	-				
Provision for surplus lease space	(1,000)	-	-	-				
Other net assets of business	(455)	-	-	-				
Insurance Recovery								
Proceeds from insurance recovery	2,025	-	-	-				
Cost associated with replacement damaged goods	(452)	-	-	-				
Other costs	(15)	-	-	-				
Redundancies	-	(4,232)	-	-				
Provision for surplus office space	(883)	(3,404)	-	-				
Provision for network obligations	-	(4,453)	-	-				
Write-down of licences	-	(172,697)	-	-				
Write-down of goodwill	-	(13,021)	-	-				
Write-down of property, plant & equipment	-	(34,893)	-	-				
Write-down of deferred rights payments	-	(3,213)	-	-				
Write-off of receivables	-	(5,117)	-	-				
Write-down of investments in associates	-	(5,030)	-	-				
	(9,860)	(248,060)					(9,860)	(248,060)
Inventory write-down	(809)	(826)	-	-			(809)	(826)
Assets								
Segment assets	238,528	376,588	-	11,950			238,528	388,538
Equity accounted investments	-	-	-	-			38,191	41,166
Consolidated total assets							276,719	429,704
Liabilities								
Segment Liabilities	(517,295)	(593,035)	-	(39,945)			(517,295)	(632,980)
Consolidated total liabilities							(517,295)	(632,980)
Acquisitions of non-current assets	(35,725)	(105,335)	-	-			(35,725)	(105,335)

Subscription Services represents the Company's Australian subscription television distribution operations, internet, interactive television and mobile telephony operations and other Australian controlled entities which derive licence fee income. 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.

Other represents the results of TVSN which sells merchandise within Australia, consolidated to the date of dilution, 19 June 2002.

Unallocated revenue and expenses include passive income derived from monies on deposit, and significant gains or losses on the sale and/or de-consolidation of investments.

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

Note 3. Subsequent Events

Disposal of investment in TelstraClear Limited

On 12 March 2003 a Share Sale Agreement was entered into between the Consolidated entity and Telstra Corporation ("Telstra") to dispose of the Consolidated entity's interest in TelstraClear Limited for proceeds of \$25,000,000. The sale of the shares in TelstraClear Limited is subject to the approval of the New Zealand Overseas Investment Commission. Pursuant to the terms of the Austar Entertainment \$400 million Debt Facility 65% of the net proceeds on the disposal of the shares in TelstraClear Limited are to be used to retire debt.

In addition, the Consolidated entity has signed a Heads of Agreement with Telstra to resell the Consolidated entity's subscription television service to residential customers as part of a Telstra bundle of services. This agreement is subject to the approval of the Australian Competition and Consumer Commission ("the ACCC"). In accordance with AASB 1016 Accounting for Investments in Associates, no adjustment has been made for this transaction at 31 December 2002. As a result of equity accounted losses in prior years the carrying value of the investment in TelstraClear Limited at 31 December 2002 is nil and accordingly a profit of approximately \$25 million will arise in the 2003 financial year.

Note 4. Related party transaction

On 23 December 2002 Castle Harlan Australian Mezzanine Partners ("CHAMP") and UnitedGlobalCom, Inc. ("UGC"), the Consolidated entity's ultimate parent entity, jointly announced a proposal for CHAMP to acquire the interest of the US bondholder creditors of United Australia Pacific Inc ("UAP"), one of the companies in the chain of ownership between the Company and UGC.

CHAMP has offered the bondholders US\$34.5 million for their interest in UAP as part of a Plan of Reorganisation which the parties filed with the United States Bankruptcy Court in New York. If the Plan is formally accepted by UAP's creditors, CHAMP will assume UAP's majority interest in United Austar Inc. which is jointly owned by UAP and UGC. As a result of this transaction UGC and CHAMP will jointly control 80.7% of the shares in the Company and CHAMP will join UGC on the board of the Company.

In accordance with ASIC requirements, CHAMP would then make a follow-on offer to the shareholders of the Company. The follow-on price would be equivalent to the effective price CHAMP will pay under the Plan to the US bondholders for the Austar shares they control through UAP. Based on the value of the Australian dollar relative to the US dollar at the time of the announcement the price was approximately \$0.17 per share. UGC will have the right to participate as a purchaser with CHAMP in this follow-on offer. The follow-on offer is likely to occur in April 2003.

UGC and CHAMP have also stated their intention, if the follow-on offer is not fully taken up by shareholders, to fully underwrite a pro rata renounceable rights issue by the Company in the amount of \$63.5 million. The rights offering will be underwritten approximately 60% by UGC and 40% by CHAMP. Pursuant to the terms of the Austar Entertainment \$400 million Debt Facility 25% of the proceeds from the rights offering are to be used to retire debt and the remainder will be used to provide working capital to support the Consolidated entity's continuing operations.